South Australian Local Government
Financial Management Group Inc.

LONG TERM FINANCIAL PLANNING

30-YEAR MODEL

USER MANUAL

CONTENTS

1. Introduction 4
2. User Pre-requisites 4
3. User Preparation 4
4. Disclaimer 4
5. User Instructions 5
5.1 Main Menu 6
5.2 Open the Model in Microsoft Excel 7
6. Recommended Modelling Approach 9
6.1 Enter Base Year Data 9
6.2 Enter Assumptions for Modelling Period 9
6.3 Reflect Completion of Existing Project Commitments 10
6.4 Finalise Base Model Prior to Forecast Modelling 11
6.5 Modelling Scenario Hints 11
7. Modelling Techniques 12
7.1 Entering New Recurrent Activities via Manual Adjustments 12
7.2 Entering One-Off Activities via New Initiatives 15
8. Model Customisation Settings 17
9. General Extrapolation Assumptions 19
10. Operating Revenue Assumptions & Build 20
10.1 Operating Revenue Build – Source of $ Value Calculation 23
11. Operating Expenses Assumptions & Build 24
11.1 Operating Expenses Build – Source of $ Value Calculation 28
12. Capital Revenue Build 29
13. Capital Expenditure Build 30
13.1 Capital Expenditure Build – Source of $ Value Calculation 33
13.2 Leases Menu 34
14. Financing Activity Menu 35
15. Reserve Transfers Build 39
16. Balance Sheet Items Assumptions & Build 40
16.1 Current Assets & Liabilities Assumptions 42
16.2 Balance Sheet Items Build – Source of $ Value Calculation 44
17. New Initiatives Build 46
18. Model Manual Adjustments 47
19. Long Term Financial Planning Outputs 48
20. Key Performance Indicators 49

21. Frequently Asked Accounting Questions (FAAQs) 55
21.1 Accounting for Assets Given Free of Charge 55
21.2 Accounting for Community Loans 56
21.3 Accounting for Depreciation 56
21.4 Accounting for Work-In-Progress 56
21.5 Full Absorption Costing Implications 56
21.6 Current and Non Current Loan and Lease Liabilities 56
22. Troubleshooting 57
22.1 Exiting the Model Using 'X' in the Top Right Corner 57
22.2 Entering New Loans and Leases Without Selecting the 'Generate' Button 57

1. INTRODUCTION

This document has been developed to support Councils operating the Long term Financial Planning Model, developed by Jigsaw Services on behalf of the SA Local Government Financial Management Group (SALGFMG) and in association with the Office of Local Government. The Model is designed to support the implementation of the Long term Financial Planning framework by Council, ensuring consistent reporting and linkage to Councils' strategic management plans.

2. USER PRE-REQUISITES

It is assumed that all users of the Model have read the Long Term Financial Planning Framework and have attended the Long Term Financial Plan Model Training Sessions.

It is assumed that all users of the Model are able to use a PC running Windows 95 or above and are familiar with the functionality of Microsoft Excel 2000.

3. USER PREPARATION

The purpose of the Model is to provide a complete long-term financial plan for a Council to ensure long term sustainability when implementing new plans and initiatives. In order to achieve this, the user is required to prepare an end of year financial position as the base year for input and an Infrastructure and Asset Management plan as a minimum. If any of this data is missing or incomplete, the user risks an unsatisfactory result.

4. DISCLAIMER

The Long Term Financial Planning Model delivers forecasted financial information. Actual results are likely to vary from the information presented, and these variations may be material.

This Model has been prepared for the purpose of building a Long Term Financial Planning Model for Local Government in South Australia. The information contained in this Model may not be appropriate for any other purpose.

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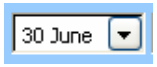
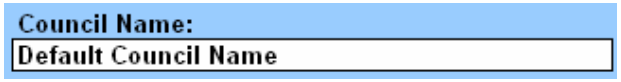
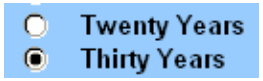
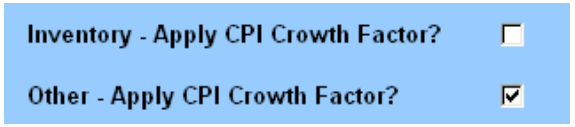
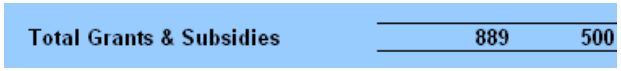
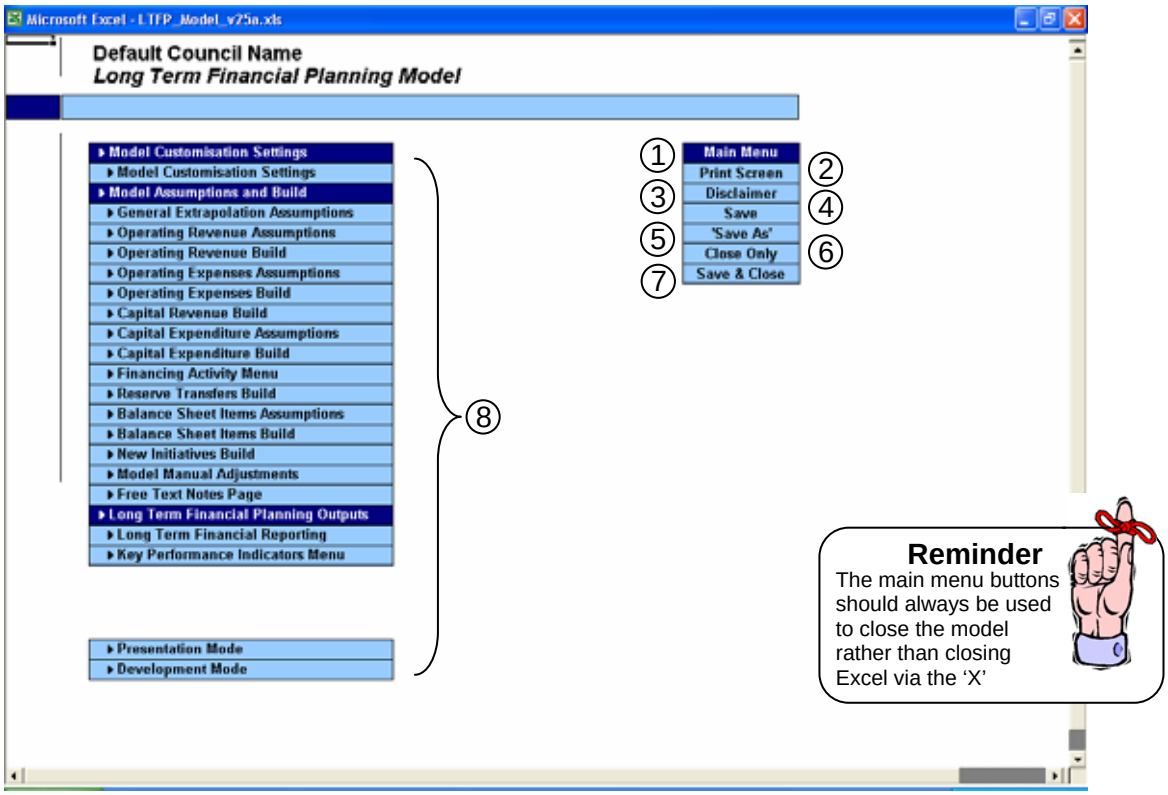
5. USER INSTRUCTIONS

DATA ENTRY TOOL	ACTION
Drop Down Menu 	The **Drop Down Menu** is used by clicking on the arrow and making a selection by clicking on the data choice. Only the data displayed in the list is relevant.
Data Entry Field 	The **Data Entry Field** is used by clicking on the white cell with a black border and using the keyboard to type in data. This is a free text field.
Check Button 	The **Check Button** is used by clicking on the white/empty circle to select the data to the side of the button. Once selected, the circle will become shaded with black. Only one selection in a range of choices can be made.
Check Box 	The **Check Box** is used by clicking on the white/empty square to select the data to the side of the box. Once selected, the square will contain a black tick. Multiple selections in a range of choices can be made.
Blue/Shaded Cells 	The **Blue/Shaded Cells** are either for display of headings/titles or are formula driven and should not be directly changed by the user. Instead, use the **Data Entry Fields** which will consequently alter the shaded cells as required.
Menu Selection 	**Menu Selection** through the Model may only be made from those headings where the mouse icon changes to the pointing hand. You may then select the heading by a single mouse click.

5.1 Main Menu



1. **Main Menu** button – this button is located on each screen within the Model. Clicking on this button will return you to this 'Main Menu' screen.

2. **Print Screen** button – this button is present on the appropriate screens throughout the Model. Clicking the button will automatically print the current screen using ONLY the default printer for your computer. If you wish to print to a printer other than the default printer, you must change the preferred printer to your default printer prior to selecting the print option in this Model. If you do not have a printer installed this function will fail.

3. **Disclaimer** button – clicking here will display the disclaimer and copyright information for the Model.

4. **Save** button - saves the Model, but leaves it open for continuing work. The Model will be saved on your local drive.

5. **Save As** button - saves the Model to a location and file name specified by the user, leaving it open to continue working.

6. **Close Only** button – closes the Model WITHOUT saving changes since the last save. There is a confirmation pop-up window to guard against work being accidentally lost.

7. **Save & Close** button – closes the Model whilst simultaneously saving your work.

8. The list of screens available to build and report against with the LTFP Model.

5.2 Open the Model in Microsoft Excel

STEP 1

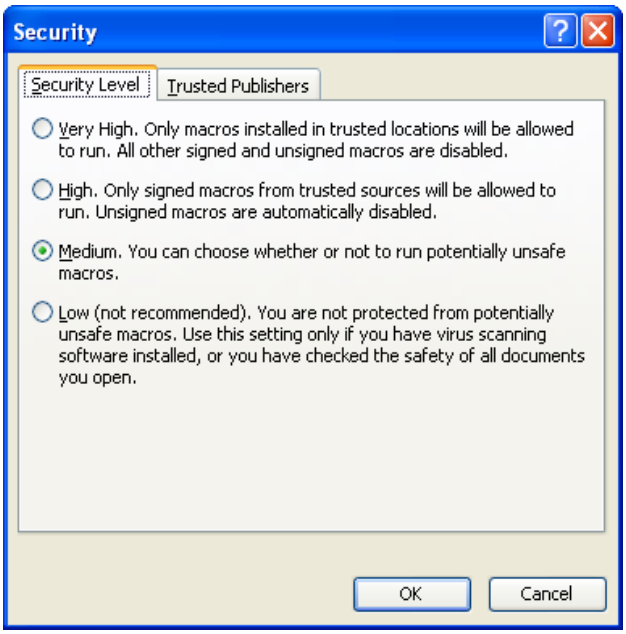
Open Microsoft Excel from the Windows Start button.

From the Excel Tool Bar click on the **TOOLS** drop down menu

From the drop down menu click on the **MACRO** option

A second drop down menu will appear, then click the **SECURITY** option.

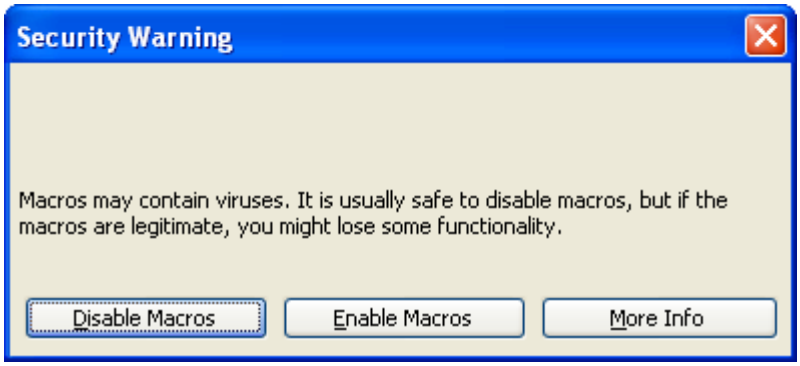
A box will appear in the middle of the screen. On the **SECURITY LEVEL** tab, select the **MEDIUM** setting by clicking on the adjacent circle. This will allow you to enable macros for the Model.


Security
Security Level
Trusted Publishers
Very High. Only macros installed in trusted locations will be allowed to run. All other signed and unsigned macros are disabled.
High. Only signed macros from trusted sources will be allowed to run. Unsigned macros are automatically disabled.
Medium. You can choose whether or not to run potentially unsafe macros.
Low (not recommended). You are not protected from potentially unsafe macros. Use this setting only if you have virus scanning software installed, or you have checked the safety of all documents you open.
OK
Cancel

Click **OK**. This will close the box and you are ready to use the Model.

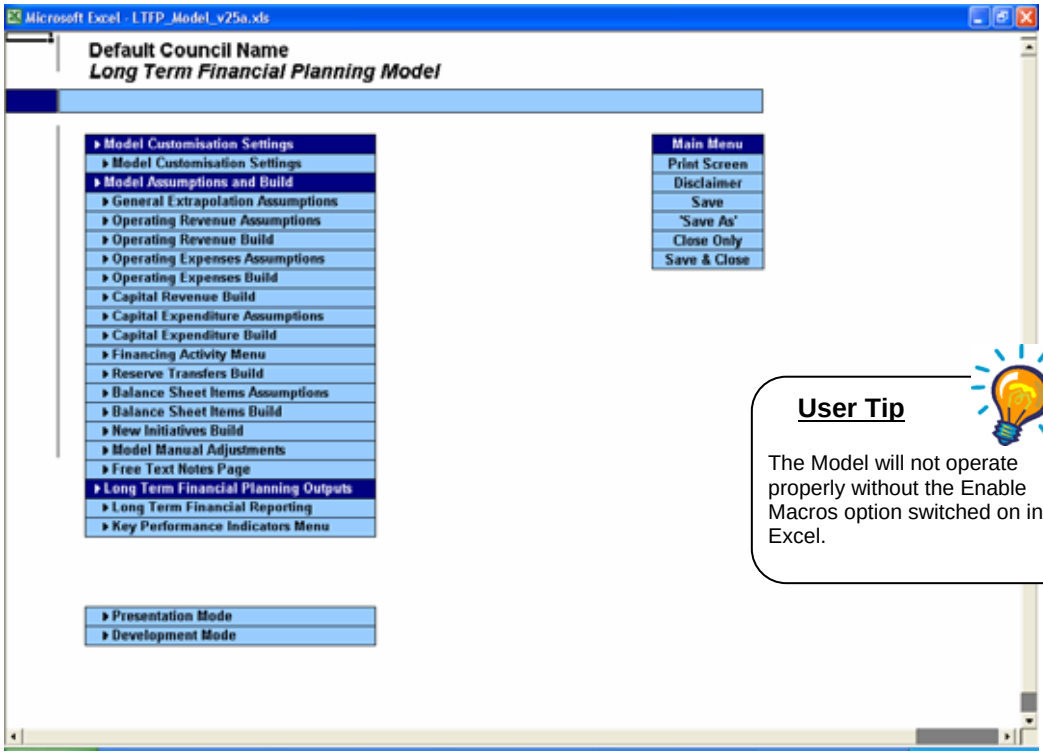
STEP 2

From the **FILE** option on the Excel tool bar, click **OPEN** and click **twice** on the LTFP Model from the drive location.


Security Warning
Macros may contain viruses. It is usually safe to disable macros, but if the macros are legitimate, you might lose some functionality.
Disable Macros
Enable Macros
More Info

Click on the **ENABLE MACROS** button.

This screen below will appear.



HOT TIP

To prevent you saving over the master copy or your existing versions of the Model, create a new version each time the Model is opened. Click **SAVE AS** from the **FILE** menu and rename the version.

6. RECOMMENDED MODELLING APPROACH

6.1 Enter Base Year Data

- SAVE the Model with a name easily identifying the Model as the start from which all scenarios will be compared and the base year data used for Modelling.
- In the Model Customisation Settings change the Council name
- Also change the Model name to BASE DATA(yyyy) and the date in the "First Year Is Ending Year" to the date of the BASE YEAR data entered.
- Enter the values of the finalised end of year financial position for Council into the BASE YEAR column of each BUILD SCREEN:
    - Operating Revenue Build
    - Operating Expenses Build
    - Capital Revenue Build
    - Capital Expenditure Build – Enter the Infrastructure & Asset Management Plan, including Strategic Initiatives, for ALL future years
    - Financing Activity Menu – Existing Loan Data – Enter existing Loan Commitments for ALL future years
    - Reserve Transfers Build
    - Balance sheet Items Build

  TIP 1: Ensure that all BASE YEAR entries reflect the level of detail you wish to Model for. The Model requires a consistent level of detail for each line of detail, year-on-year.

- Print the reports to ensure the base year data in the Model agrees with the reported end of year position for that year
- SAVE the Model as LTFP BASE DATA(yyyy).

6.2 Enter Assumptions for Modelling Period

- In the Model Customisation Settings change the "Model is for" to 30 years.
- Enter the percentage assumptions for Council into the following ASSUMPTION SCREENS:
    - General Extrapolation Assumptions
    - Operating Revenue Assumptions
    - Operating Expenses Assumptions
    - Balance sheet Items Assumptions

TIP 1: Reduce unnecessary complexity and uncertainty. If uncertain about future assumption changes – assume no change.
Example: if CPI is forecast to 2008 as 2.1% and beyond is unknown, all future years are assumed 2.1% from the known period

TIP 2: Capital Expenditure Assumptions require an average % depreciation rate for each class of asset. The BASE YEAR is known and manually input. The Year 1 forecast should reflect the adopted budget for Council. This means the "average depreciation" percentage will be the percentage that brings the Year 1 depreciation figure in the Model closest to the adopted budget depreciation value for each class of asset.

- Review each BUILD SCREEN to ensure forecasts reflect expected outcomes.
- Print all Assumptions Screens.
- Re-SAVE the Model as LTFP BASE DATA(yyyy).

6.3 Reflect Completion of Existing Project Commitments

- In the Model Customisation Settings change the "Model is for" to 5 years (10 years only if required).
- Using the New Initiatives and Manual Adjustments Screens ONLY, enter the following type of information into the Model:
    - $ value effects of completing asset purchases outstanding in the Infrastructure & Asset Management Plan, including Strategic Initiatives, beyond the base year Model data.
    - $ value effects of ongoing asset maintenance excluded from the Infrastructure & Asset Management Plan, including Strategic Initiatives, beyond the base year Model data.
    - $ value effects of completing and maintaining new services/projects beyond the base year Model data.
    - Reflect the effects of changes to non-current provisions and other balance sheet commitments materially effecting cash movements.
- Review each BUILD SCREEN to ensure forecasts reflect expected outcomes:
    - Year 1 is the first forecast year of the Model, this should be equivalent to the adopted budget of the current financial year
- Print all Build Screens.
- SAVE the Model as LTFP MODEL DATA(yyyy).

6.4 Finalise Base Model Prior to Forecast Modelling

- In the Model Customisation Settings change the "Model is for" to 30 years.
- Review each report to determine if the forecasts ensure long-term financial sustainability for Council.
- Print all Reports and amend assumptions, new initiatives and manual adjustments accordingly until Council is confident that committing to the existing project timetable reflected in the Model ensures long term sustainability and that all variables are understood.
- Print all KPI reports and presentations.
- Note all amendments on the "Free Text Notes Page"
- Re-SAVE the Model as LTFP MODEL BASE(yyyy) – this File becomes the base point from which ALL comparative analysis is made for each scenario Modelled.

6.5 Modelling Scenario Hints

- Utilise the New Initiatives functionality for one-off projects and events
- Utilise the Manual Adjustments functionality for on-going financial commitments, such as new services etc.
- Utilise the Financing menu, consolidating Councils lending through one single loan entry for each year.
- Print all KPI's, reports and build screens for each scenario.
- Note all amendments on the "Free Text Notes Page"
- SAVE the Model as the scenario name given in the Model Customisation Settings Screen.
- ALWAYS check the 30 year outlook to ensure long term financial sustainability when completing a scenario.

7. MODELLING TECHNIQUES

7.1 Entering New Recurrent Activities via Manual Adjustments

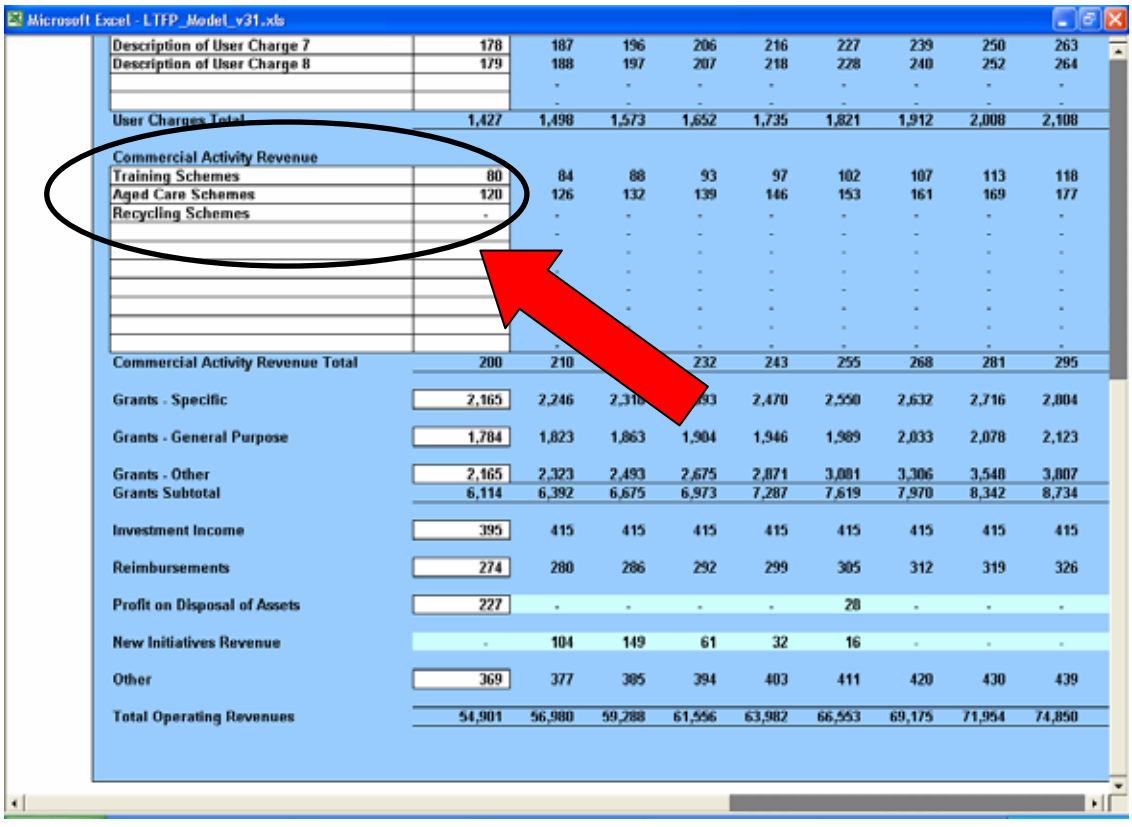
Manual adjustments affect recurring revenue and expenditure in future years. Free text fields enable the localisation and detail specific types of revenue and expenditure lines that materially impact the long term financial forecast sustainability of Council. These free text fields feed through all build screens and reports.

Example:

Council currently operate two types of commercial activity and will launch recycling schemes to start in the current budget year.

The planned revenue for this operation will be:

- 1st Year revenue target $10,000
- 2nd Year revenue target $25,000
- 3rd Year revenue target $75,000



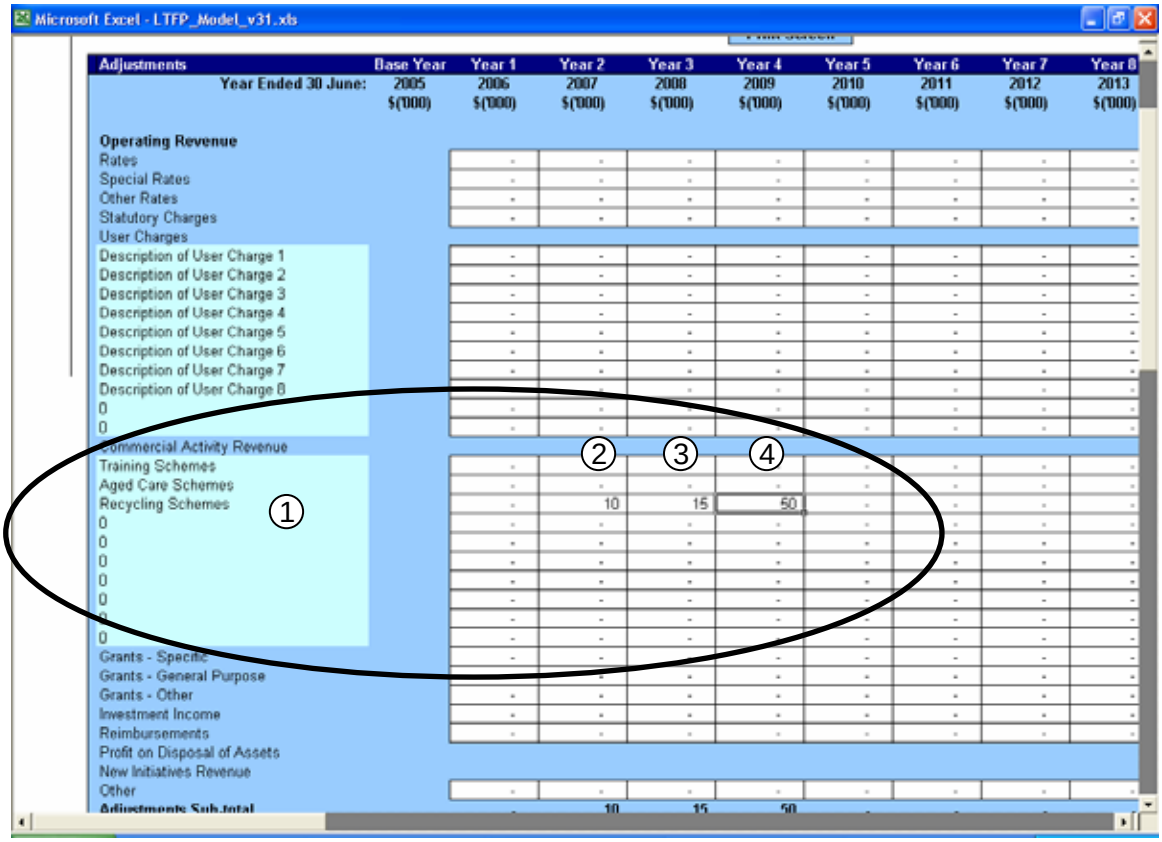
Description of User Charge 7	178	187	196	206	216	227	239	250	263
Description of User Charge 8	179	188	197	207	218	228	240	252	264
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
User Charges Total	1,427	1,498	1,573	1,652	1,735	1,821	1,912	2,008	2,108
Commercial Activity Revenue									
Training Schemes	80	84	88	93	97	102	107	113	118
Aged Care Schemes	120	126	132	139	146	153	161	169	177
Recycling Schemes	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
			-	-	-	-	-	-	-
			-	-	-	-	-	-	-
			-	-	-	-	-	-	-
			-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Commercial Activity Revenue Total	200	210		232	243	255	268	281	295
Grants - Specific	2,165	2,246	2,318	2,393	2,470	2,550	2,632	2,716	2,804
Grants - General Purpose	1,784	1,823	1,863	1,904	1,946	1,989	2,033	2,078	2,123
Grants - Other	2,165	2,323	2,493	2,675	2,871	3,081	3,306	3,548	3,807
Grants Subtotal	6,114	6,392	6,675	6,973	7,287	7,619	7,970	8,342	8,734
Investment Income	395	415	415	415	415	415	415	415	415
Reimbursements	274	280	286	292	299	305	312	319	326
Profit on Disposal of Assets	227	-	-	-	-	28	-	-	-
New Initiatives Revenue	-	104	149	61	32	16	-	-	-
Other	369	377	385	394	403	411	420	430	439
Total Operating Revenues	54,901	56,980	59,288	61,556	63,982	66,553	69,175	71,954	74,850

The base year will not show any income although revenue will be earned in future years and so a revenue line will be required (as shown above).

The detail entered into the Revenue Build screen feeds through into the Manual Adjustments screen, which will be used to enter the forecast recurrent planned revenue targets.

Navigate to the Manual Adjustments screen via the Main Menu.

The Manual Adjustments Screen refects all changes made in the free text fields of the Build screens (shown below)



1. **LIGHT BLUE CELLS** – Light blue cells indicate the detail shown in the cell is fed through from and manipulated in another part of the Model. Commercial Activity Revenue is entered via the Free Text Field in the Operating Revenue Build screen. The light blue cells cannot be edited or manipulated in the current screen.

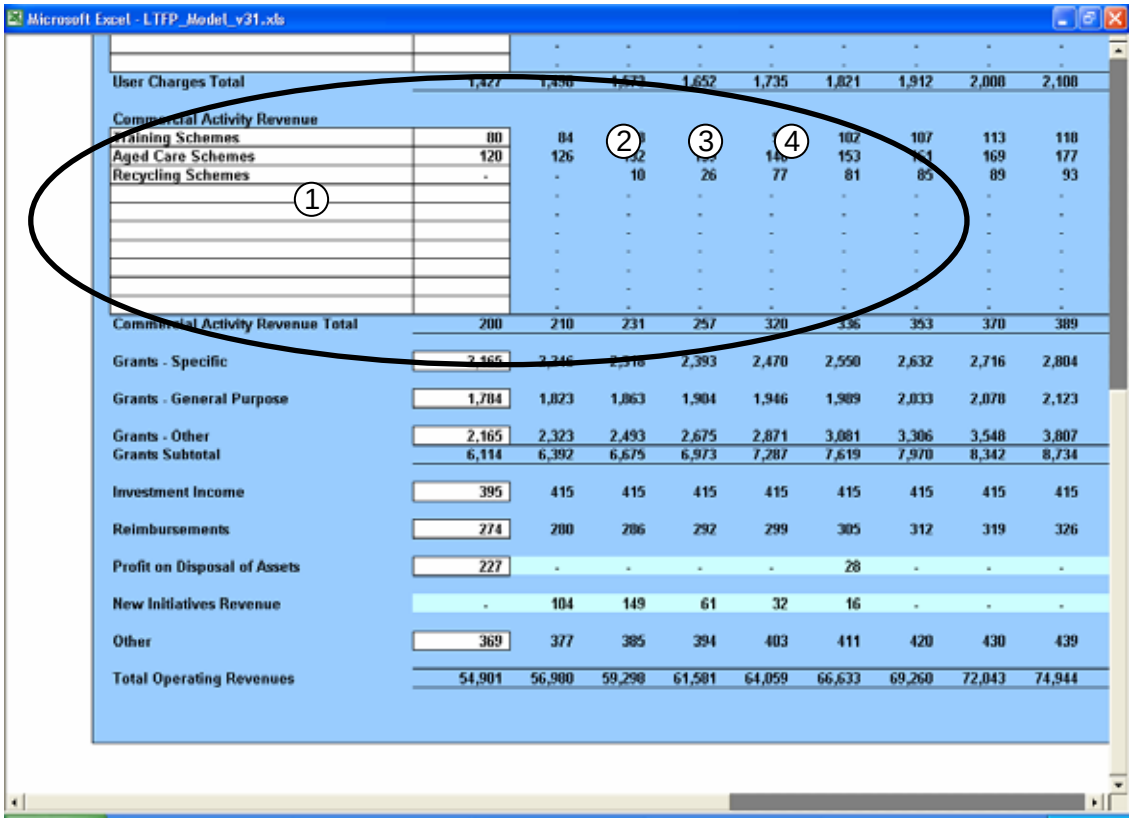
2. **RECURRENT REVENUE Year 1** – This will be the first revenue-earning year of operation for the new scheme. The target revenue for this year is $10,000.

3. **RECURRENT REVENUE Year 2** – This will be the second revenue-earning year of operation for the new scheme. The target revenue for this year is $25,000. As Manual Adjustments assume all activities are ongoing, only the year-on-year increase is to be entered.

4. **RECURRENT REVENUE Year 3** – This will be the third revenue-earning year of operation for the new scheme. The target revenue for this year is $75,000. As Manual Adjustments assume all activities are ongoing, only the year-on-year increase is to be entered.

Navigate to the Operating Revenue Build screen via the Main Menu.

The Operating revenue Build Screen will refect all changes made in the free text fields of the Build screens (shown below)



1. **FREE TEXT FIELDS** – These fields feed through to the light blue cells in the Manual Adjustments Screen screen.

2. **RECURRENT REVENUE Year 1** – This will be the first revenue-earning year of operation for the new scheme. The target revenue for this year is $10,000 and is fed through from the Manual Adjustments screen.

3. **RECURRENT REVENUE Year 2** – This will be the second revenue-earning year of operation for the new scheme. The target revenue for this year is $25,000 plus the effects of CPI and Operating Revenue Assumptions, year-on-year.

4. **RECURRENT REVENUE Year 3** – This will be the third revenue-earning year of operation for the new scheme. The target revenue for this year is $75,000 plus the effects of CPI and Operating Revenue Assumptions, year-on-year.

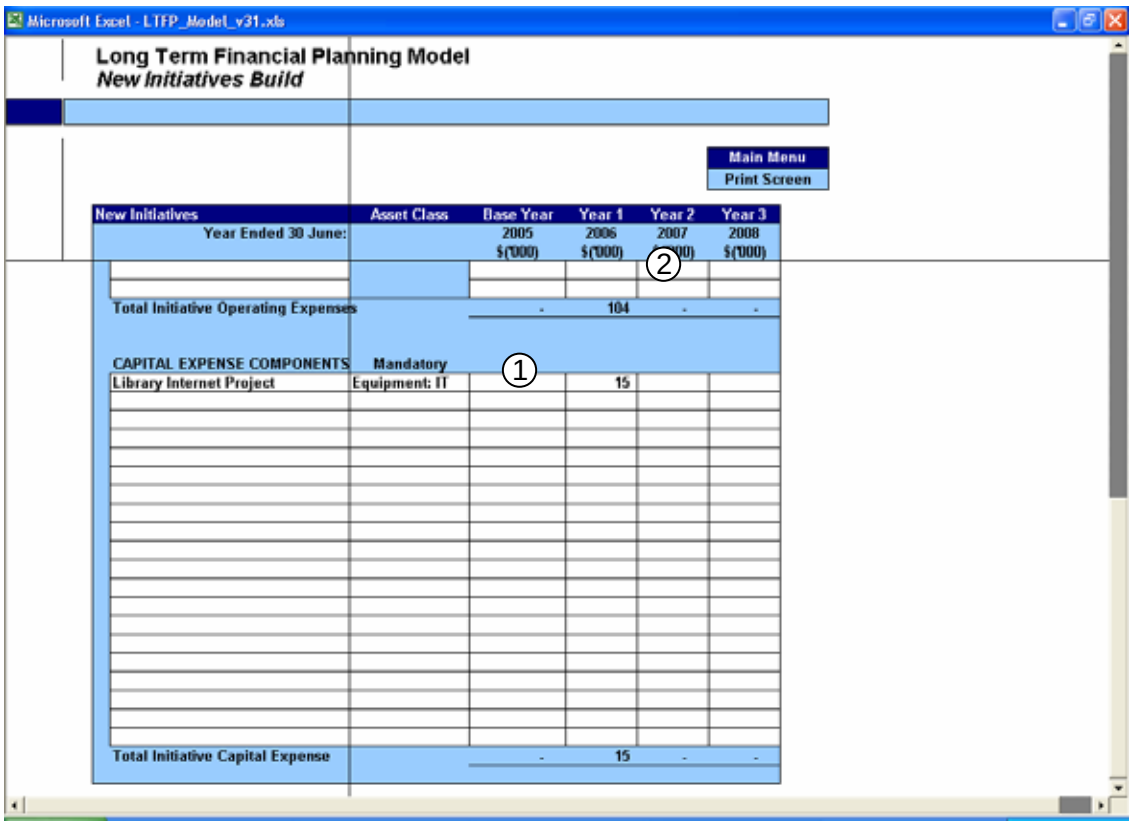
7.2 Entering One-Off Activities via New Initiatives

The New Initiatives screen enables Council to include $ values for one-off projects in the Operating Revenue and Operating Expenditure Builds, as well as Capital purchases (by class) in the Capital Expenditure Build. New Initiative revenue and expenditure only affects the year in which the value is entered and does not effect future years.

The New Initiatives are not detailed by specific type of revenue or expenditure lines, but appear as a single entry in the Build screens. The detail of the Initiatives can be printed from the New Initiatives by using the print screen function.

Example:

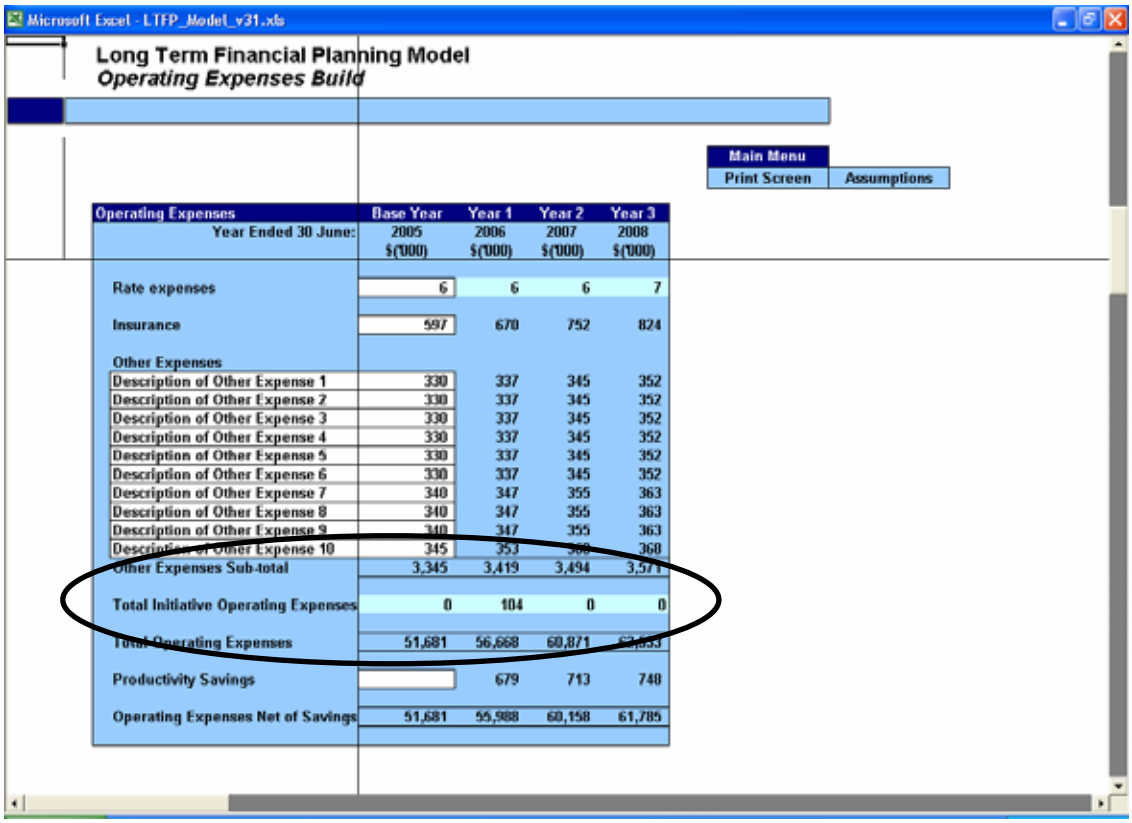
Council plan to install internet facilities into the library at an estimated cost of $15,000 and have a range of projects totalling a cost of $104,000.



1. **CAPITAL EXPENSE COMPONENT** – The free text field identifies the specific project which requires the allocation of the Capital project to an asset class. The value of $15,000 then feeds through to the Capital Expenditure Build Screen against the asset class selected.

2. **NEW INITIATIVE OPERATING EXPENDITURE** – The total value of the individual projects of $104,000 entered into the New Initiatives screen will feed through to the relevant Build screen.

Navigate to the Operating Expenditure Build screen via the Main Menu. The New Initiatives expenditure line refects all projects entered into the New Initiatives Screen (shown below) in light blue.



Operating Expenses Year Ended 30 June:	Base Year 2005 $('000)	Year 1 2006 $('000)	Year 2 2007 $('000)	Year 3 2008 $('000)
Rate expenses	6	6	6	7
Insurance	597	670	752	824
Other Expenses				
Description of Other Expense 1	330	337	345	352
Description of Other Expense 2	330	337	345	352
Description of Other Expense 3	330	337	345	352
Description of Other Expense 4	330	337	345	352
Description of Other Expense 5	330	337	345	352
Description of Other Expense 6	330	337	345	352
Description of Other Expense 7	340	347	355	363
Description of Other Expense 8	340	347	355	363
Description of Other Expense 9	340	347	355	363
Description of Other Expense 10	345	353	360	368
Other Expenses Sub-total	3,345	3,419	3,494	3,571
Total Initiative Operating Expenses	0	104	0	0
Total Operating Expenses	51,681	56,668	60,871	63,033
Productivity Savings		679	713	748
Operating Expenses Net of Savings	51,681	55,988	60,158	61,785

Navigate to the Capital Expenditure Build screen via the Main Menu. The New Initiatives expenditure line refects all projects entered into the New Initiatives Screen under the correct asset class (shown below) in light blue.

Equipment: IT Year Ended 30 June:		Base Year 2005 $('000)	Year 1 2006 $('000)	Year 2 2007 $('000)	Year 3 2008 $('000)
Opening Balance		2,650	2,294	2,026	1,783
Replacement		47	47	47	47
Renewels		-	-	-	-
New Initiatives/CapEx		-	15	-	-
Revaluation		-	-	-	-
Less Disposals		30	-	-	-
Sub-total		2,667	2,356	2,073	1,830
Depreciation	14%	373	330	290	256
Closing Balance		2,294	2,026	1,783	1,573
Book Value of Disposals	95%	29	-	-	-
Profit (Loss) on Disposal		1	-	-	-

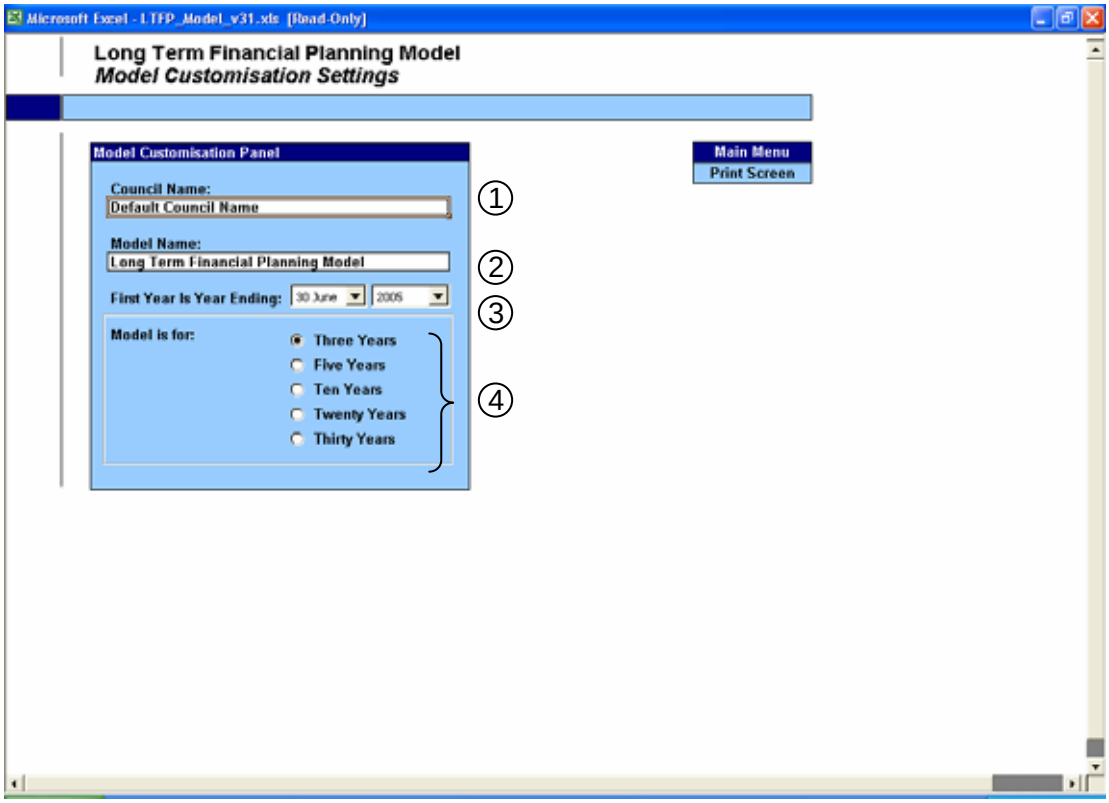
8. MODEL CUSTOMISATION SETTINGS

STEP 1

To customise the Model to your specific Council:

Click on the **MODEL CUSTOMISATION SETTINGS** button on the main menu

The screen below will appear:



There are 4 options available to users to customise the Model as shown above.

1. **COUNCIL NAME** – Type in the name of your Council in the data entry field. Doing so replicates the name throughout the Model screens and is included on the output reports from the Model.

2. **MODEL NAME** – The default name is standard and can be changed. To reflect specific internal version numbers type in the Model version reference in the data entry field. The default cannot be edited; it must be retyped in full. This name change will be automatically replicated throughout Model screens and reports.

HOT TIP

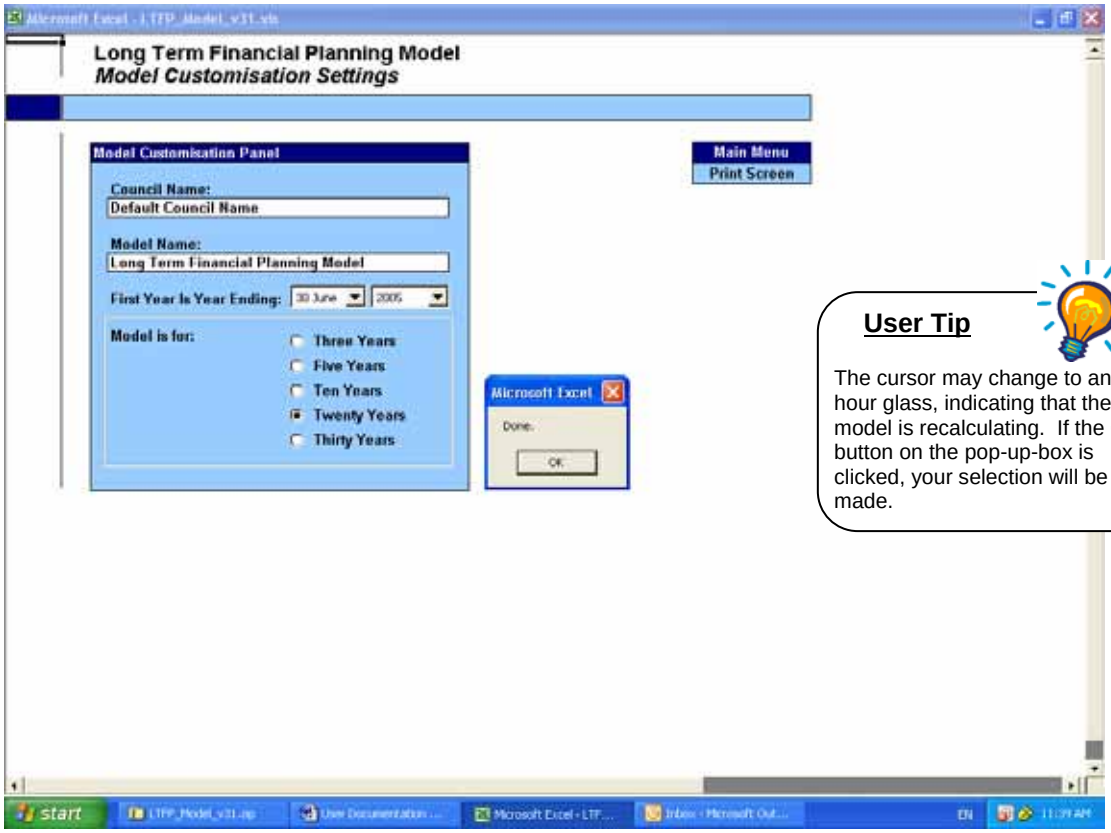
Save the Model version as the same **FILE** menu as the version name used in the Model.

3. **FIRST YEAR IS YEAR ENDING** – Use the drop down menus to select the correct dates for the *actual* base year of the Model. All future year calculations will be driven from the *actual* base year date. The base year data should be an actual end of year financial position from which all assumptions are to be driven.

4. **MODEL IS FOR** – Click the check button alongside the length of time you desire your Model to view and report on screen. Irrespective of this check box your Model will always calculate for the full 30-year period. Changing this check button only drives parameters and screen changes throughout the Model.

As the parameters and screen changes are made, a pop-up-box will appear to tell you that Excel has completed the task.

Click **OK** in the pop-up-box window. This will complete your date selection for the Model.



User Tip

The cursor may change to an hour glass, indicating that the model is recalculating. If the OK button on the pop-up-box is clicked, your selection will be made.

Click on the **MAIN MENU** button to return to the main menu.

9. GENERAL EXTRAPOLATION ASSUMPTIONS

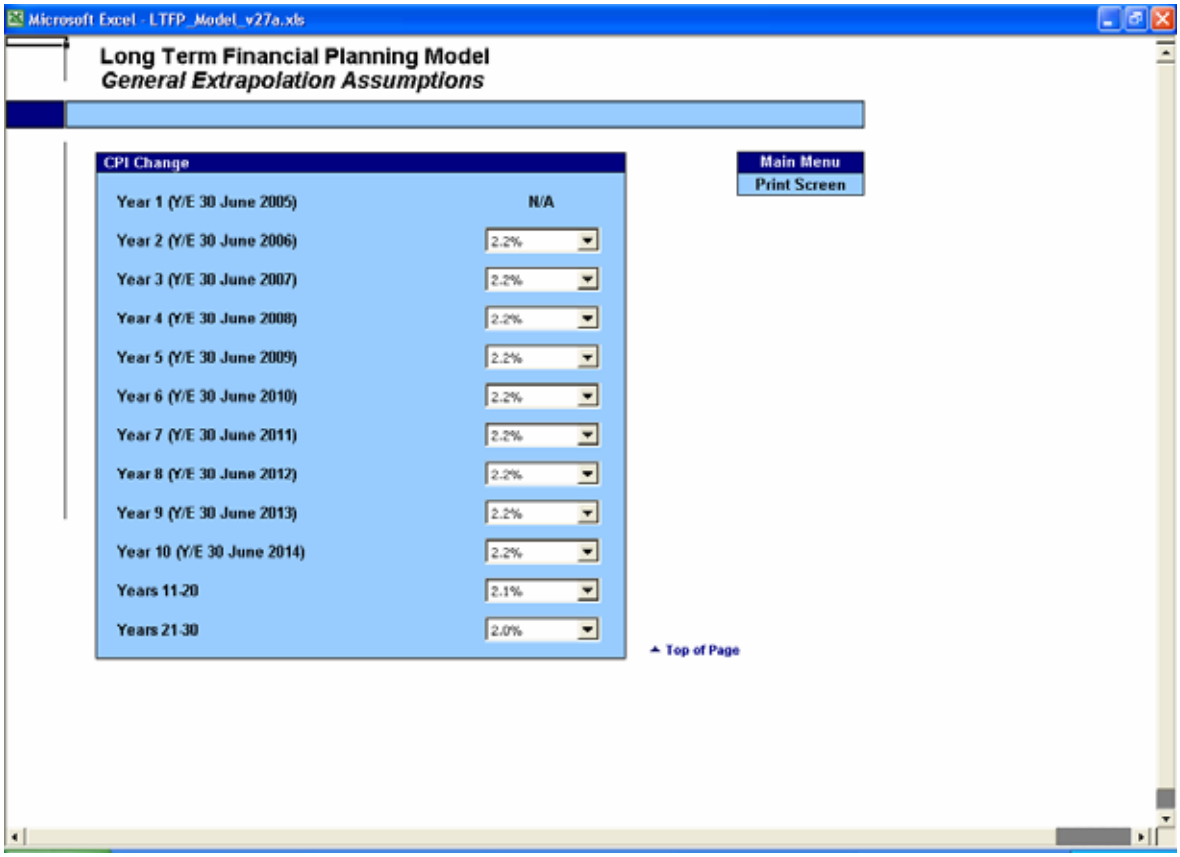
STEP 1

The purpose of the **General Extrapolation Assumptions** is to apply CPI as a general factor effecting Councils financial modelling. There is further functionality throughout the Model where the user can determine if CPI is to be applied or not.

Year 1 is the *actuals* base year from which all assumptions are driven, and therefore does not require a CPI factor to be entered. The year ending date entered in the customisation screen will re-appear as Year 1 in the **General Extrapolation Assumptions**.

1. **CPI CHANGE** – Click on the drop down box for each subsequent year to be calculated in the Model. CPI changes can be made between -5% and +20%. A CPI estimate MUST be provided for each year of the Model, even if the year is not in use for the Model calculation.

2. **PRINT SCREEN** – It is recommended that ALL **General Extrapolation Assumptions** used in the Model are printed for reference.


Microsoft Excel - LTFP_Model_v27a.xls
Long Term Financial Planning Model
General Extrapolation Assumptions
CPI Change
Main Menu
Print Screen
Year 1 (Y/E 30 June 2005) N/A
Year 2 (Y/E 30 June 2006) 2.2%
Year 3 (Y/E 30 June 2007) 2.2%
Year 4 (Y/E 30 June 2008) 2.2%
Year 5 (Y/E 30 June 2009) 2.2%
Year 6 (Y/E 30 June 2010) 2.2%
Year 7 (Y/E 30 June 2011) 2.2%
Year 8 (Y/E 30 June 2012) 2.2%
Year 9 (Y/E 30 June 2013) 2.2%
Year 10 (Y/E 30 June 2014) 2.2%
Years 11-20 2.1%
Years 21-30 2.0%
Top of Page

Click on the **MAIN MENU** button to return to the main menu.

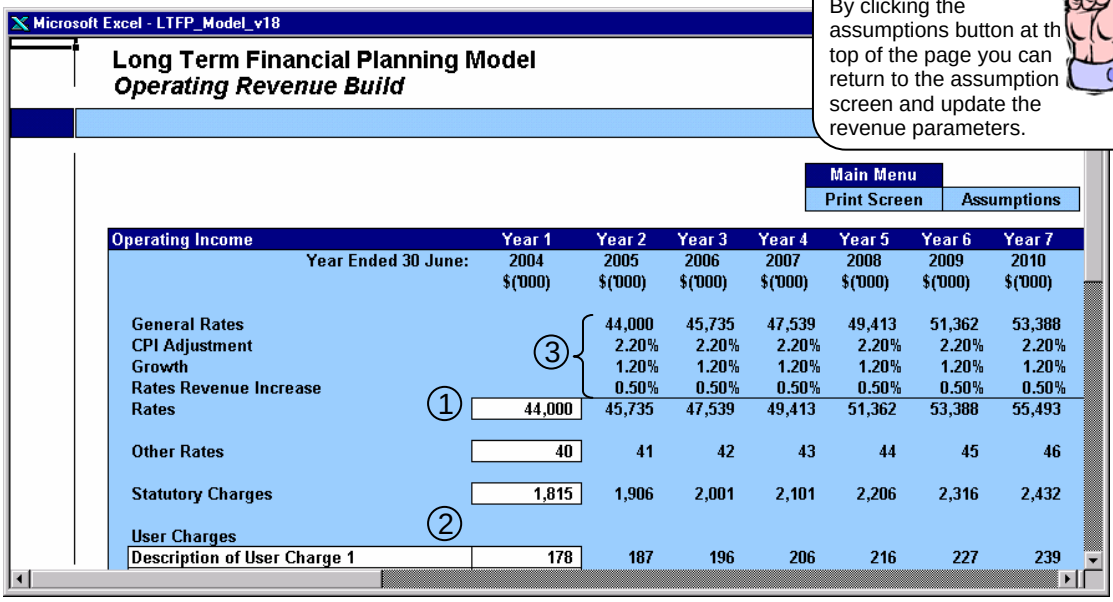
10. OPERATING REVENUE ASSUMPTIONS & BUILD

STEP 1

The purpose of the **Operating Revenue Build** screen is to:

1. Enter the *actuals* base year revenue values in $('000) for each revenue line to be used in the Modelling calculations.

2. Present all future years operating revenue information, year on year, showing the effects of CPI, specific line item assumptions and manual adjustments made.


Microsoft Excel - LTFP_Model_v18
Long Term Financial Planning Model
Operating Revenue Build
Reminder
By clicking the assumptions button at th top of the page you can return to the assumption screen and update the revenue parameters.
Main Menu
Print Screen
Assumptions
Operating Income
Year Ended 30 June:
Year 1 2004 $('000)
Year 2 2005 $('000)
Year 3 2006 $('000)
Year 4 2007 $('000)
Year 5 2008 $('000)
Year 6 2009 $('000)
Year 7 2010 $('000)
General Rates 44,000 45,735 47,539 49,413 51,362 53,388
CPI Adjustment 2.20% 2.20% 2.20% 2.20% 2.20% 2.20%
Growth 1.20% 1.20% 1.20% 1.20% 1.20% 1.20%
Rates Revenue Increase 0.50% 0.50% 0.50% 0.50% 0.50% 0.50%
Rates 44,000 45,735 47,539 49,413 51,362 53,388 55,493
Other Rates 40 41 42 43 44 45 46
Statutory Charges 1,815 1,906 2,001 2,101 2,206 2,316 2,432
User Charges
Description of User Charge 1 178 187 196 206 216 227 239
1
2
3

Enter the $ value in '000s for each revenue type to be used in the Model calculations.

1. **BASE YEAR VALUES** - The *actuals* base year $ values for each revenue type is to be entered into the data entry field and becomes the basis upon which the growth factors effecting the revenue items are applied.

2. **FREE TEXT FIELDS** – There is space provided to expand on the descriptions for each of the 10 classifications of **User Charges** and **Commercial Activity Revenue** available for use within the Model.

   If Council does not need to use all 10 types of charge, click the field to be left blank and click the **DELETE** button. This will clear each field not to be used by Council.

3. **PLANNING PERIOD PROJECTIONS** - The CPI assumptions, **Operating Revenue Assumptions** and **Manual Adjustments** are used to calculate the following year's figures. The calculation is a rolling calculation year upon year.

Click the **ASSUMPTIONS** button to enter the **Operating Revenue Assumptions** screen.

STEP 2

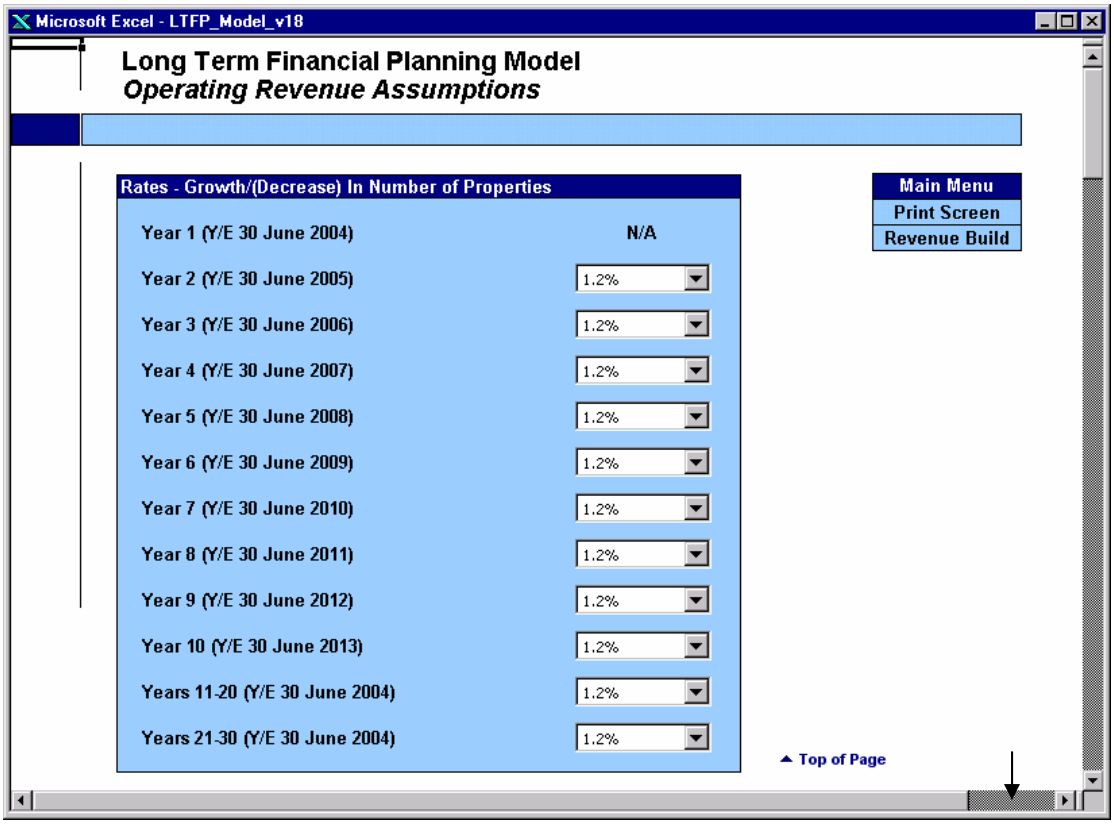
By using the **Revenue Assumptions** screen the user will drive increases and decreases in addition to CPI in percentage terms. If users wish to drive increases and decreases in $ value, the **Manual Adjustments** screen should be used from the main menu.

There are 8 types of percentage driven **Operating Revenue Assumption** available for use. The revenue types are consistent with the reporting requirements of Council. These are:

1. Rates Growth
2. Rates Revenue Increase
3. Adjustments to Grants – Specific
4. Adjustments to Grants – General
5. Adjustments to Statutory Charges
6. Adjustments to User Charges
7. Adjustments to Commercial Revenue
8. Adjustments to Investment Income

Year 1 is the *actual* base year from which all assumptions are driven. The year ending date entered in the customisation screen will re-appear as Year 1 in the **Operating Revenue Assumptions** and **Revenue Build** screens.

To access each entry screen for each revenue type use the scroll bar to the right of the screen. By clicking the **Top of Page** button the user returns to the top of the page.


Microsoft Excel - LTFP_Model_v18
Long Term Financial Planning Model
Operating Revenue Assumptions
Rates - Growth/(Decrease) In Number of Properties
Year 1 (Y/E 30 June 2004) N/A
Year 2 (Y/E 30 June 2005) 1.2%
Year 3 (Y/E 30 June 2006) 1.2%
Year 4 (Y/E 30 June 2007) 1.2%
Year 5 (Y/E 30 June 2008) 1.2%
Year 6 (Y/E 30 June 2009) 1.2%
Year 7 (Y/E 30 June 2010) 1.2%
Year 8 (Y/E 30 June 2011) 1.2%
Year 9 (Y/E 30 June 2012) 1.2%
Year 10 (Y/E 30 June 2013) 1.2%
Years 11-20 (Y/E 30 June 2004) 1.2%
Years 21-30 (Y/E 30 June 2004) 1.2%
Main Menu
Print Screen
Revenue Build
Top of Page

STEP 3

Enter the % increase for each revenue type to be used in the Model calculations. All changes will have a cumulative effect over the planning period. Click on the drop down box for incremental growth factor changes to be calculated for each subsequent year in the Model.

1. **RATES – GROWTH** – This is a growth factor relating to the increase in value and number of rateable properties, effecting the General Rates income calculation. It refers to both residential and business rateable properties in percentage terms. Changes can be made between -5% and +10%.

2. **RATES REVENUE INCREASE** – A standard assumption within the Model is that rates revenue increases will be in line with CPI. By using the **Rates Revenue Increase** table the user will affect a growth/reduction for rates above or below CPI in percentage terms. Changes can be made between -3% and +20%.

3. **ADJUSTMENTS TO GRANTS – SPECIFIC** – This is a growth factor for Specific Grants Income in percentage terms. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

4. **ADJUSTMENTS TO GRANTS – GENERAL** – This is a growth factor for Other Grants Income in percentage terms. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

5. **ADJUSTMENTS TO STATUTORY CHARGES** – This is a growth factor for Statutory Charges Income in percentage terms. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

6. **ADJUSTMENTS TO USER CHARGES** – This is a growth factor for User Charges Income in percentage terms. All 10 types of User Charges are calculated from this parameter. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

7. **ADJUSTMENTS TO COMMERCIAL REVENUE** – This is an income growth factor for Commercial Revenue in percentage terms. All 10 types of Commercial Revenue are calculated from this parameter. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

8. **ADJUSTMENTS TO INVESTMENT INCOME** – This is a growth factor for Investment Income in percentage terms. Changes can be made between -100% and +100%. Click on the drop down box for each subsequent year to be calculated in the Model.

Click on the **REVENUE BUILD** button to access the **Operating Revenue Build** screen.

10.1 Operating Revenue Build – Source of $ Value Calculation

Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
General Rates		$ Value brought forward from Prior Year			
CPI Adjustment		General Extrapolation Assumptions %			
Growth		Operating Revenue Assumptions %			
Rates Revenue Increase		Operating Revenue Assumptions %			
Rates	44,000	Increases by Total %			
Special Rates	40	Increases by CPI % + Manual Adjustments			
Other Rates	40	Increases by CPI % + Manual Adjustments			
Statutory Charges	1,815	Operating Revenue Assumptions % + Manual Adjustments			
User Charges					
Free Text Field	178	Operating Revenue Assumptions %			
User Charges Total	1,783	$ Total of All User Charges			
Commercial Activity Revenue					
Free Text Field	100	Operating Revenue Assumptions %			
Commercial Activity Revenue Total	1,000	$ Total of All Commercial Activity Revenue			
Grants - Specific	2,165	CPI % + Operating Revenue Assumptions % incr + Manual Adjustments			
Grants - General Purpose	2,165	CPI % + Operating Revenue Assumptions % incr + Manual Adjustments			
Grants - Other	1,784	CPI % + Operating Revenue Assumptions % incr + Manual Adjustments			
Grants Subtotal	6,114	$ Total of All Grants Revenue			
Investment Income	395	Operating Revenue Assumptions % + Manual Adjustments			
Reimbursements	274	Increases by CPI % + Manual Adjustments			
Profit on Disposal of Assets	227	Capital Expenditure Build Screen			
New Initiatives Revenue	-	New Initiatives Build Screen			
Other	369	Increases by CPI % + Manual Adjustments			
Total Operating Revenues	56,057	$ Total of All Operating Revenue			

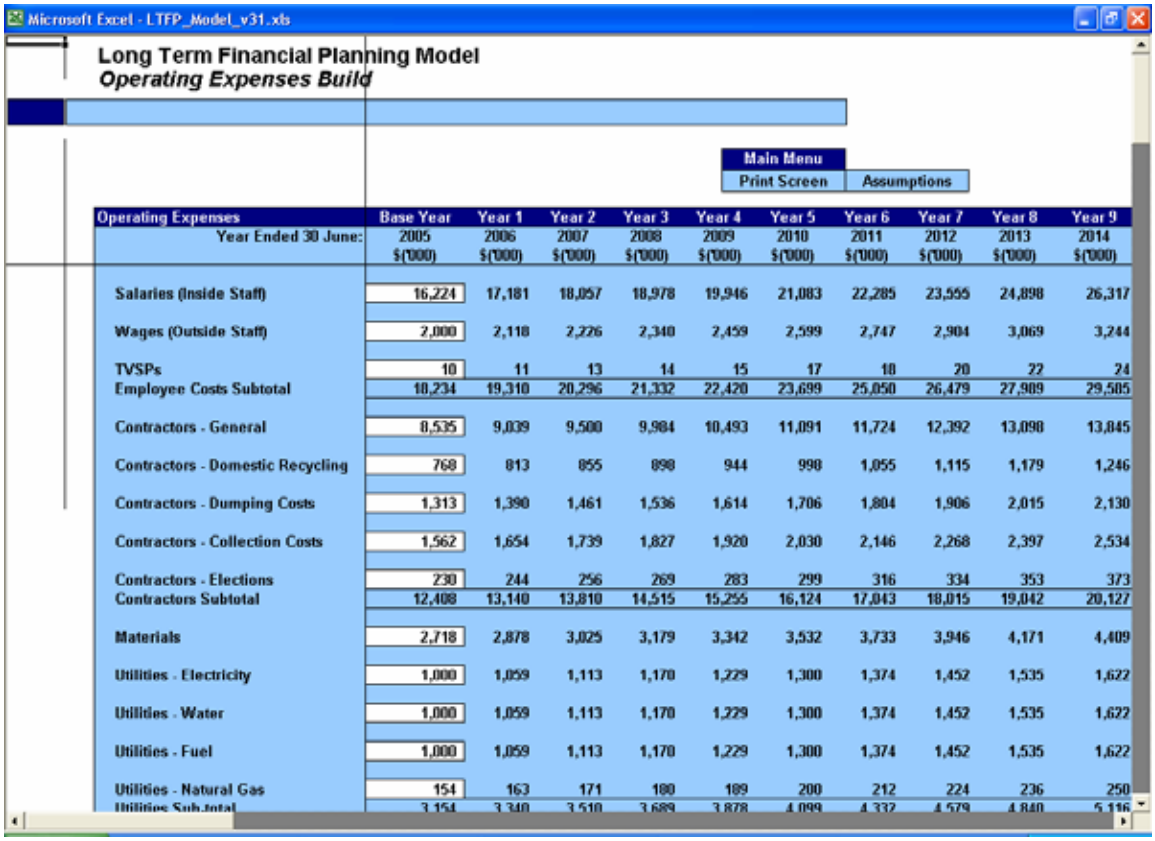
11. OPERATING EXPENSES ASSUMPTIONS & BUILD

STEP 1

The purpose of the **Operating Expenses Build** screen is to:

1. Enter the *actuals* base year expenditure values in $('000) for each expense line to be used in the Modelling calculations.

2. Present all future years operating expenditure information, year on year, showing the effects of CPI, specific line item assumptions and manual adjustments made.



Operating Expenses Year Ended 30 June:	Base Year 2005 $('000)	Year 1 2006 $('000)	Year 2 2007 $('000)	Year 3 2008 $('000)	Year 4 2009 $('000)	Year 5 2010 $('000)	Year 6 2011 $('000)	Year 7 2012 $('000)	Year 8 2013 $('000)	Year 9 2014 $('000)
Salaries (Inside Staff)	16,224	17,181	18,057	18,978	19,946	21,083	22,285	23,555	24,898	26,317
Wages (Outside Staff)	2,000	2,118	2,226	2,340	2,459	2,599	2,747	2,904	3,069	3,244
TVSPs	10	11	13	14	15	17	18	20	22	24
Employee Costs Subtotal	18,234	19,310	20,296	21,332	22,420	23,699	25,050	26,479	27,989	29,585
Contractors - General	8,535	9,039	9,500	9,984	10,493	11,091	11,724	12,392	13,098	13,845
Contractors - Domestic Recycling	768	813	855	898	944	998	1,055	1,115	1,179	1,246
Contractors - Dumping Costs	1,313	1,390	1,461	1,536	1,614	1,706	1,804	1,906	2,015	2,130
Contractors - Collection Costs	1,562	1,654	1,739	1,827	1,920	2,030	2,146	2,268	2,397	2,534
Contractors - Elections	230	244	256	269	283	299	316	334	353	373
Contractors Subtotal	12,408	13,140	13,810	14,515	15,255	16,124	17,043	18,015	19,042	20,127
Materials	2,718	2,878	3,025	3,179	3,342	3,532	3,733	3,946	4,171	4,409
Utilities - Electricity	1,000	1,059	1,113	1,170	1,229	1,300	1,374	1,452	1,535	1,622
Utilities - Water	1,000	1,059	1,113	1,170	1,229	1,300	1,374	1,452	1,535	1,622
Utilities - Fuel	1,000	1,059	1,113	1,170	1,229	1,300	1,374	1,452	1,535	1,622
Utilities - Natural Gas	154	163	171	180	189	200	212	224	236	250
Utilities Sub-total	3,154	3,340	3,510	3,689	3,878	4,099	4,332	4,579	4,840	5,116

Enter the $ value in '000s for each expenditure type to be used in the Model calculations.

The *actuals* base year $ values for each expenditure type is to be entered into the data entry field and becomes the basis upon which the growth factors effecting the expenditure items are applied.

Free text fields are provided to expand on the descriptions for each of the 10 classifications of **Other Expenses** available for use within the Model. If Council does not need to use all 10 types of charge, click the field to be left blank and click the **DELETE** button. This will clear each field not to be used by Council.

Click the **ASSUMPTIONS** button to enter the **Operating Expenditure Assumptions** screen.

STEP 2

By using the **Operating Expenses Assumptions** screen the user will drive increases and decreases in addition to CPI in percentage terms. If users wish to drive increases and decreases in $ value, the **Manual Adjustments** screen should be used from the main menu.

There are 12 types of percentage driven **Operating Expenditure Assumption** available for use. The expenditure types are consistent with the reporting requirements of Council. These are:

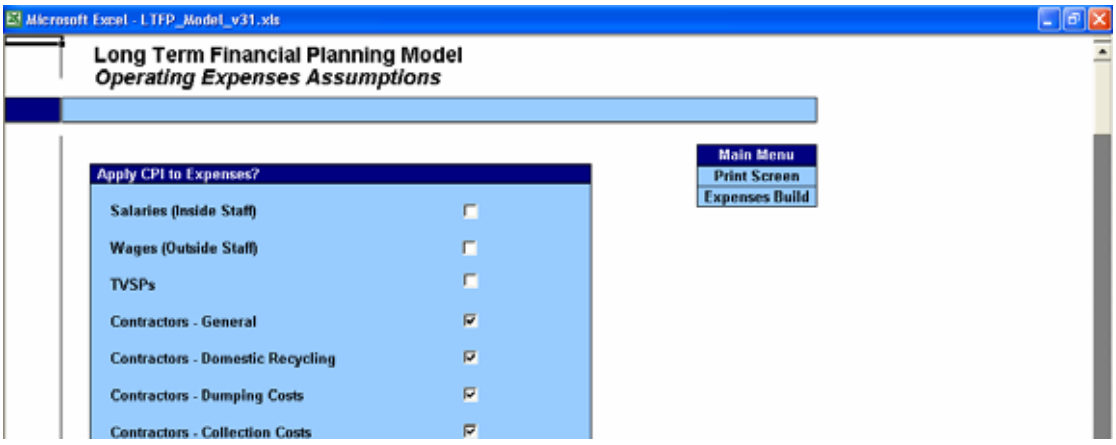
1. Apply CPI to Expenses?
2. Salaries Increase
3. Wages Increase
4. TVSP's
5. Contractors
6. Materials
7. Utilities
8. Workers Compensation
9. Catchment Levy
10. Insurance
11. Productivity Savings
12. Productivity Savings Drivers

Year 1 is the *actual* base year from which all assumptions are driven. The year ending date entered in the customisation screen will re-appear as Year 1 in the **Operating Expenditure Assumptions** and **Expenditure Build** screens.

To access each entry screen for each expenditure type use the scroll bar to the right of the screen. By clicking the **Top of Page** button the user returns to the top of the page.

1. **APPLY CPI TO EXPENSES?** – Click on the tick box for each expenditure line that is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. This option enables the user to determine if CPI is to be a cost driver against each individual line item, in addition to the assumptions entered and the **Manual Adjustments**.

   The example below shows CPI will not be applied to Salaries & Wages type costs.



2. **SALARIES INCREASE** – This is a growth factor for Salaries expenses (Inside staff) in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

3. **WAGES INCREASE** – This is a growth factor for Wages expenses (Outside staff) in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

   If the percentage increase between inside and outside staff is the same, it is not necessary to split this expenditure and a single line item can be used for both Salaries and Wages. This will not affect any performance indicators or summary reporting.

4. **TVSP's** – This is a growth factor for Terminations and Voluntary Separation Packages (TVSP) expenses in percentage terms. Entering values in this expense line affects any Salaries and Wages related KPI's and reporting. Changes can be made between –100% and +200%. Click on the drop down box for each subsequent year to be calculated in the Model.

5. **CONTRACTORS** – This is a growth factor for each Contractors expense (General, Domestic Recycling, Dumping Costs, Collection Costs, Elections) in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

6. **MATERIALS** – This is a growth factor for Materials expenses in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

7. **UTILITIES** – This is a growth factor for Utilities expenses (Electricity, Water, Fuel, Natural Gas) in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

8. **WORKERS COMPENSATION** – This is a growth factor for Workers Compensation expenses in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

9. **CATCHMENT LEVY** – This is a growth factor for Catchment Levy expenses in percentage terms. Changes can be made between zero and +10%. Click on the drop down box for each subsequent year to be calculated in the Model.

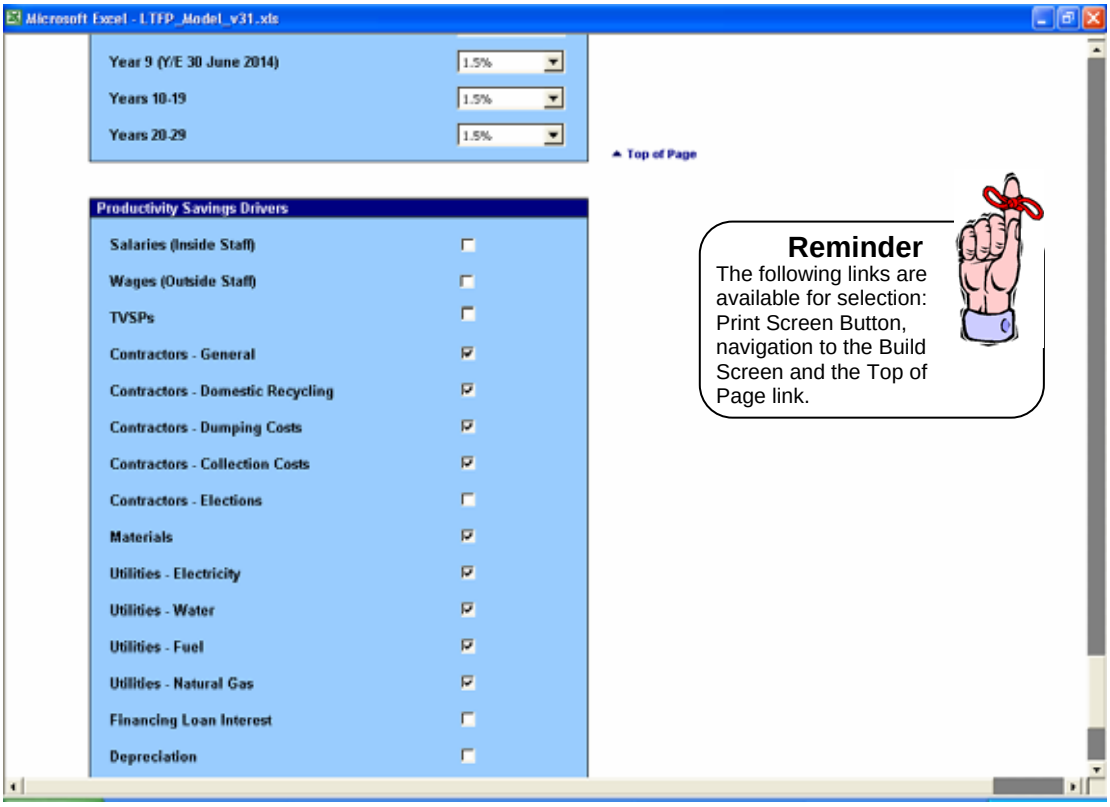
10. **INSURANCE ANNUAL ADJUSTMENTS** – This is a growth factor for Insurance Annual Adjustments expenses in percentage terms. Changes can be made between –100% and +200%. Click on the drop down box for each subsequent year to be calculated in the Model.

11. **PRODUCTIVITY SAVINGS** – Click on the drop down box for each subsequent year to be calculated in the Model. Productivity Savings changes can be made between zero and +20%. The chosen percentage Productivity Saving will ONLY be calculated against the expenditure lines ticked on the **Productivity Savings Driver**.

12. **PRODUCTIVITY SAVINGS DRIVER -** Click on the check button for each expenditure type to be included in the productivity savings calculation in the Model.

The example below shows the 1.5% productivity savings target years 9 to 29 will not be calculated on the following expense types:

- Salaries
- Wages
- TVSP's
- Contractors – Elections
- Financing Lease Interest
- Depreciation



Click on the **MAIN MENU** button to return to the main menu.

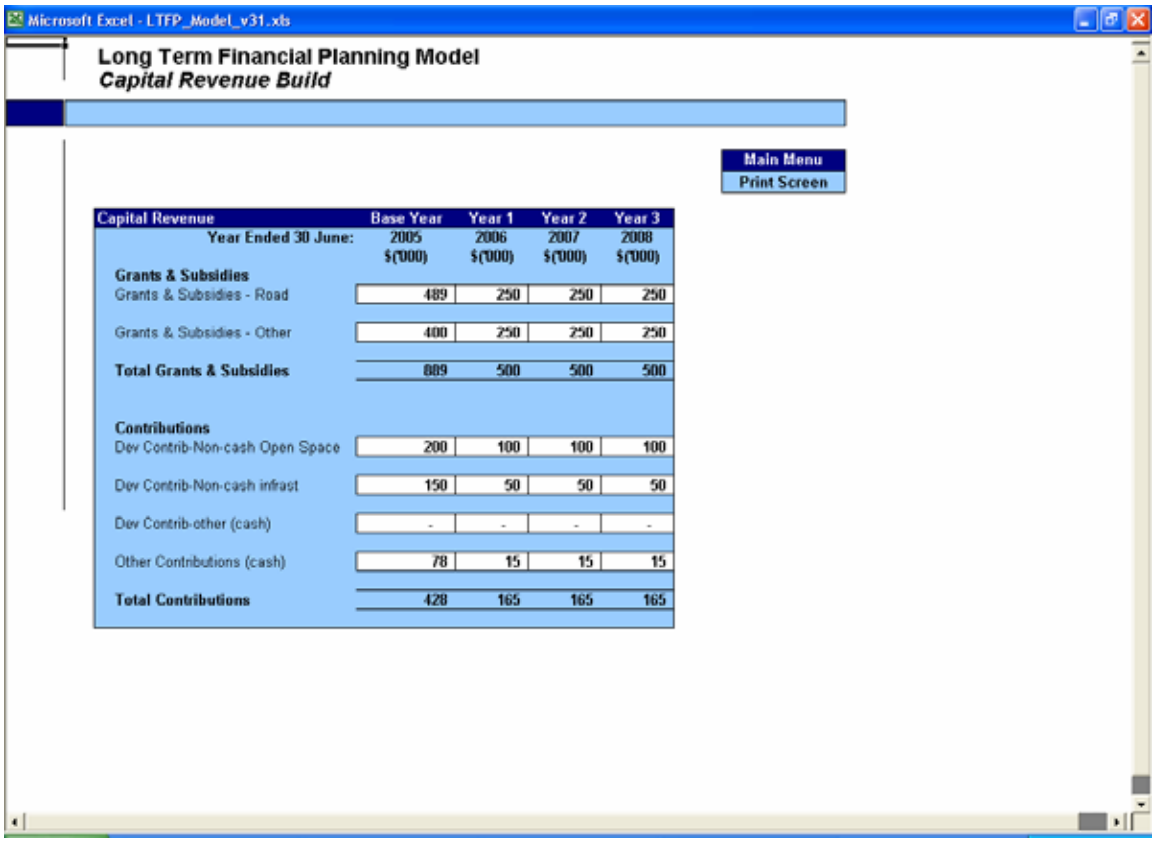
11.1 Operating Expenses Build – Source of $ Value Calculation

Operating Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Salary & Wages	16,224	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Superannuation	2,000	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
TVSPs	10	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Employee Costs Subtotal	18,234	$ Total of All Employee Costs			
Contractors - General	8,535	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Contractors - Domestic Recycling	768	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Contractors - Dumping Costs	1,313	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Contractors - Collection Costs	1,562	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Contractors - Elections	230	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Contractors Subtotal	12,408	$ Total of All Contractors			
Materials	2,718	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Utilities - Electricity	1,000	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Utilities - Water	1,000	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Utilities - Fuel	1,000	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Utilities - Natural Gas	154	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Utilities Sub-total	3,154	$ Total of All Utilities			
Financing Loan Interest	2,060	Financing Activity Summary			
Leasing Interest	1,060	Leases Activity Summary			
Interest - Other	562	Operating Expenses Assumptions % + CPI if ticked			
Finance/Interest Sub-total	3,682	$ Total of All Finance/Interest			
Depreciation	6,450	Capital Expenditure Build Screen			
Loss on Disposal of Assets	-	Capital Expenditure Build Screen			
Workers Comp Premium	650	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Catchment Levy	1,079	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Rate rebates/capping	476	% increase equal to Total Rates % increase + Manual Adjustments			
Rate appeals	196	% increase equal to Total Rates % increase + Manual Adjustments			
Rate expenses	6	% increase equal to Total Rates % increase + Manual Adjustments			
Insurance	597	Operating Expenses Assumptions % + CPI if ticked + Manual Adjustments			
Other Expenses					
Free Text Field	330	Increases by CPI %			
Other Expenses Sub-total	3,345	3,345	3,345	3,345	3,345
Total Operating Expenses	51,373	53,146	53,804	55,788	55,186
Productivity Savings		All ticked Spend Types contribute to % increase			
Operating Expenses Net of Savings	51,373	53,146	53,804	55,788	55,186

12. CAPITAL REVENUE BUILD

STEP 1

The **Capital Revenue Build** is slightly different from previous build screens as it is not driven from drop down menu-based percentage assumptions. Instead, Capital Revenue information is typed in using the data entry fields on an annual basis to be used for the Model.



Capital Revenue	Base Year	Year 1	Year 2	Year 3
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Grants & Subsidies				
Grants & Subsidies - Road	489	250	250	250
Grants & Subsidies - Other	400	250	250	250
Total Grants & Subsidies	889	500	500	500
Contributions				
Dev Contrib-Non-cash Open Space	200	100	100	100
Dev Contrib-Non-cash infrast	150	50	50	50
Dev Contrib-other (cash)	-	-	-	-
Other Contributions (cash)	78	15	15	15
Total Contributions	428	165	165	165

There are 6 types of **Capital Revenue** available for use in this Model. The Capital Revenue entered in the Model is to be sourced form Councils Infrastructure & Asset Management Plan, including Strategic Initiatives. The first year or base year date is driven from the Customisation screen.

There are no assumption drivers available for Capital Revenue Build Items.

Enter the $ value in '000s for each capital revenue type to be used into the data entry field for each plan year in the Model.

Click on the **MAIN MENU** button to return to the main menu.

13. CAPITAL EXPENDITURE BUILD

STEP 1

The purpose of the **Capital Expenditure Build** screen is to:

1. Enter the *actuals* base year Asset values in $('000) for each Asset Class to be used in the Modelling calculations.

2. Enter all future years asset replacement, renewals, revaluation and disposals information as calculated in the Infrastructure & Asset Management Plan, including Strategic Initiatives.

There are 18 Asset Classes available for use within the **Capital Expenditure Build** screen. These Asset Classes are listed below:

1. Furniture & Fittings
2. Equipment: IT
3. Equipment: Plant
4. Equipment: Other
5. Infrastructure: Roads
6. Infrastructure: Footpaths
7. Infrastructure: Stormwater Drainage
8. Infrastructure: Reserves
9. Infrastructure: Other
10. Buildings
11. STEDS
12. Airports
13. Marinas
14. Land
15. Land: Land Held For Resale
16. Investments
17. *Assets Under Lease (Amortisation)*
18. Bridges

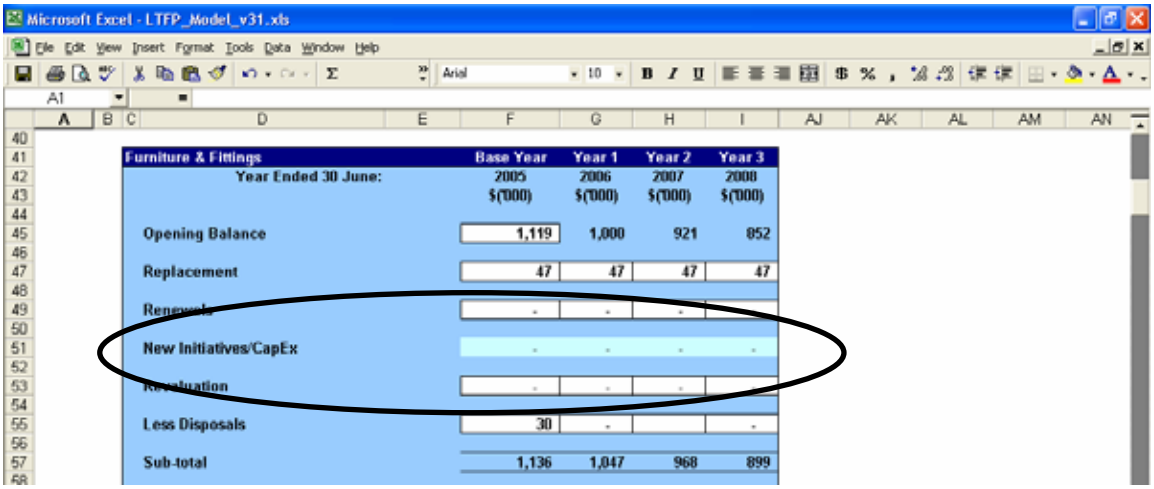
There are no assumption drivers for modelling the various Asset Classes. All entries are to follow the Infrastructure & Asset Management plan and Strategic Initiatives over the planning period. New Capital purchases are to be entered using the **New Initiatives Build** screen.

Enter the $ value in '000s for each Asset Class to be used in the Model calculations.

1. **ASSETS UNDER LEASE** – Finance lease values are entered in via the **Leases Menu** option (See section 13.2).

2. **BOOK VALUE ON DISPOSAL** – When entering a profit or loss on the sale of an asset, the Model assumes the depreciation for the period does not include the depreciation written-off when the sale is made. To ensure the Model remains in balance, the depreciation written-off on the sale of an asset must be entered in addition to depreciation for the period and the profit or loss as a result of the sale.

The Capital Purchases, other than renewals and replacement assets, are to be entered via the **New Initiatives** screen. These can be identified by the light blue colour on the Model.



Definition – Replacement: To substantially improve or replace
(i.e. substantially improve an existing asset, including sale and purchase of a like item to undertake the same operation or used for the same purpose)

Definition – Renewal: To upgrade (i.e. new seal on a road surface)

Definition – New Capital Initiative: An Asset not previously owned or utilised by Council

Click on the **MAIN MENU** button to return to the main menu.

HOT TIP

Assets Under Lease are populated via the **LEASING** menu ONLY, and are subject to a unique amortisation rate from all other assets.

STEP 2

Navigating to the **Balance Sheet Items Build**, the non-current assets summary in the **Capital Expenditure Build** screen feeds through to the **Non Current Asset Items**.

Non Current Assets Items	Base Year	Year 1	Year 2	Year 3
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Receivables	1,502	1,502	1,502	1,502
Inventory	1,277	1,277	1,277	1,277
Investments	97	97	97	97
Land	167,181	167,328	167,475	167,622
Buildings	63,534	61,674	59,869	58,119
Infrastructure	260,277	252,853	245,544	238,777
Plant & Equipment	2,389	2,183	2,010	1,863
Furniture Fixture & Fittings	1,000	921	852	791
Other	97	97	97	97
Total Current Assets	4,633	4,633	4,633	4,633

13.1 Capital Expenditure Build – Source of $ Value Calculation

Asset Class	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Opening Balance					
Replacement	Manual Entry				
Renewals	Manual Entries				
New Initiatives/CapEx	New Initiatives Screen				
Revaluation	Manual Entry				
Less Disposals	Manual Entry				
Sub Total	Subtotal of above				
Depreciation	Manual Entry				
Closing Balance	Total of above				
Profit/(Loss) on Disposal	Manual Entry				

13.2 Leases Menu

STEP 1

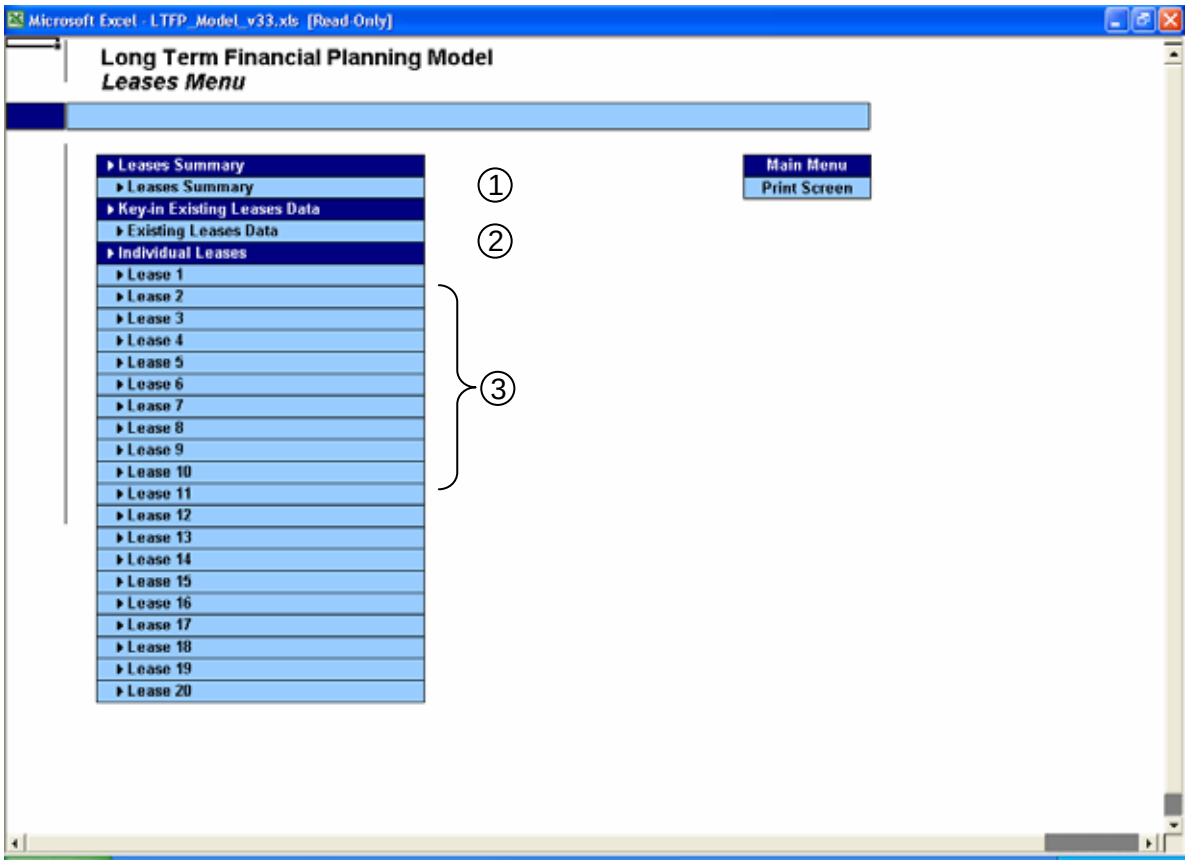
There are 3 menu options under the Finance Lease menu available to users, which are detailed below:

1. **LEASES SUMMARY** – This option provides a summary of all leasing information that has been entered under the **Leasing** menu option for review, which will be represented in the **Capital Expenditure Build** screen of the Model.

2. **EXISTING LEASES DATA** – This information is manually entered using the data entry fields from schedules of payments relating to existing leases. When combined with additional leases planned, they make up the summary reported in outputs.

   This menu option must be used if the user chooses to manually enter all new leasing activities into the Model.

3. **INDIVIDUAL LEASES** – The Model allows for up to 20 new leases to be introduced over the FUTURE planning period. This option can ONLY be used for forecasting as the Model will produce unexpected results if individual loans are entered into the base year.



The Leases menu option operates in the same way as the Financing Activity menu (detailed instructions for this menu option are provided below).

14. FINANCING ACTIVITY MENU

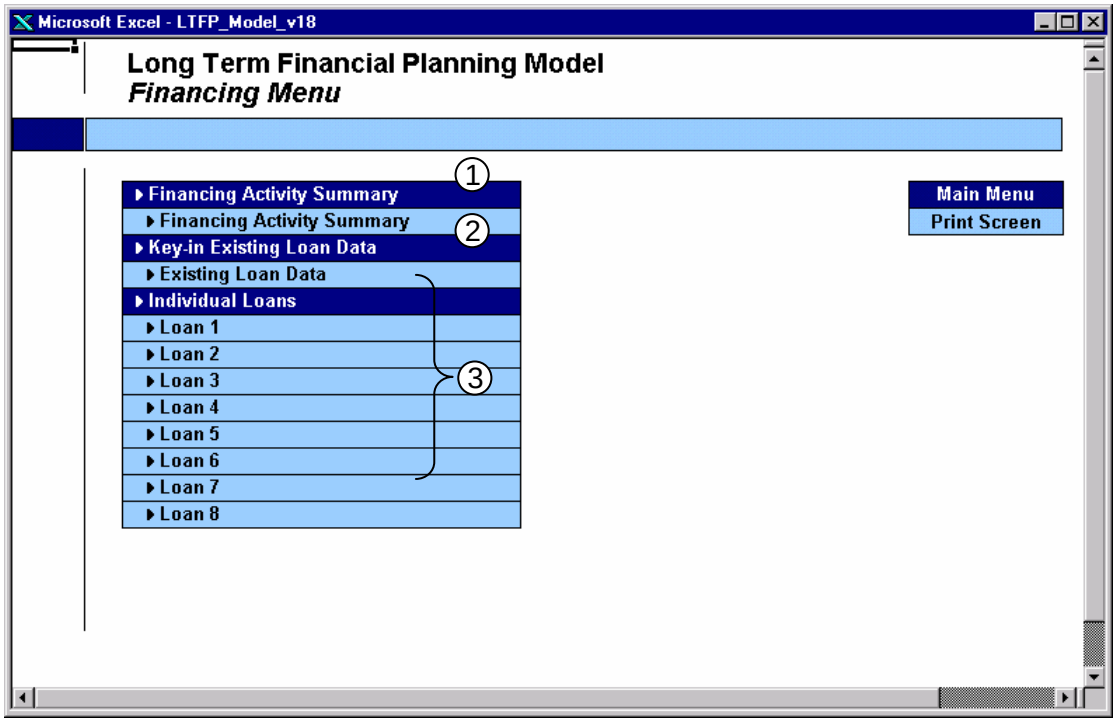
STEP 1

There are 3 menu options available to users, which are detailed below:

1. **FINANCING ACTIVITY SUMMARY** – This option provides a summary of all loans and finance information that has been entered under the **Financing Activity** menu option for review, which will be represented in the reporting function of the Model.

2. **EXISTING LOAN DATA** – This information is manually entered using the data entry fields from schedules of payments relating to existing loans. When combined with additional loans planned, they make up the summary reported in outputs (see Existing Loans below).

3. **INDIVIDUAL LOANS** – The Model allows for up to 20 new loans to be introduced over the FUTURE planning period. This option can ONLY be used for forecasting as the Model will produce unexpected results if individual loans are entered into the base year.



See the following page for further information on the entry of data.

HOT TIP

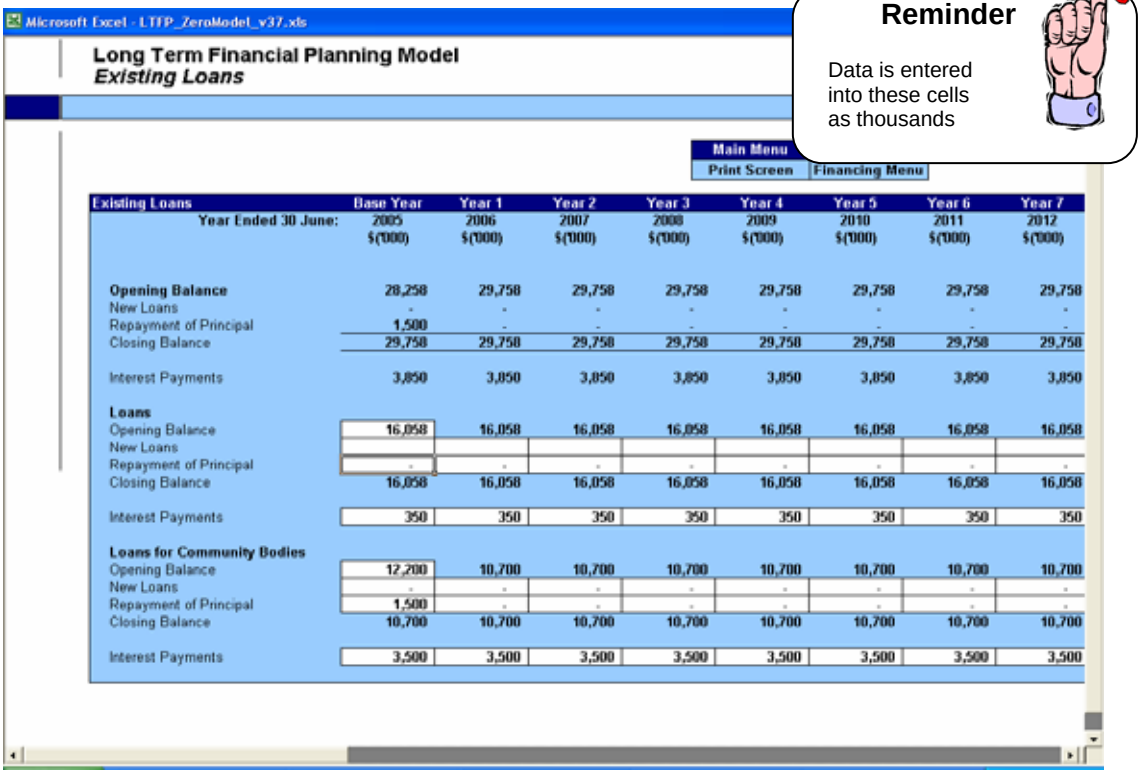
Calculate the level of borrowings required for each forecast year prior to utilising the Financing Activity menu function.

Enter a SINGLE loan for each financial year of the Model to represent borrowings and ALWAYS click the '**Generate Loan**' button.

STEP 2

Click on the **EXISTING LOAN DATA** button. This screen requires the user to prepare schedules of payments relating to EXISTING loan liabilities in advance. These are to be split between loans to finance Council activities, versus loans to external organisations referred to as "community loans".

This screen can also be used for manually entering all loans related values for the entire period of the Planning Model if the user chooses not to use any other functionality provided within the Models Financing menu.



Existing Loans	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)	2011 $('000)	2012 $('000)
Opening Balance	28,258	29,758	29,758	29,758	29,758	29,758	29,758	29,758
New Loans	-	-	-	-	-	-	-	-
Repayment of Principal	1,500	-	-	-	-	-	-	-
Closing Balance	29,758	29,758	29,758	29,758	29,758	29,758	29,758	29,758
Interest Payments	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850
Loans								
Opening Balance	16,058	16,058	16,058	16,058	16,058	16,058	16,058	16,058
New Loans								
Repayment of Principal	-	-	-	-	-	-	-	-
Closing Balance	16,058	16,058	16,058	16,058	16,058	16,058	16,058	16,058
Interest Payments	350	350	350	350	350	350	350	350
Loans for Community Bodies								
Opening Balance	12,200	10,700	10,700	10,700	10,700	10,700	10,700	10,700
New Loans	-	-	-	-	-	-	-	-
Repayment of Principal	1,500	-	-	-	-	-	-	-
Closing Balance	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
Interest Payments	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500

Enter the values for Existing Loans to be used in the Model calculations.

1. **OPENING BALANCE** – Ensure that the opening balance value shown in Year 1 is equal to the closing balance of the *Actuals* Base Year figures. The Year 1 figures should reflect the current year (adopted) budget movement.

2. **NEW LOANS** – If the user chooses to manually enter all new loans activities into the Model, the full liability value of the new loans is to be entered into this line.

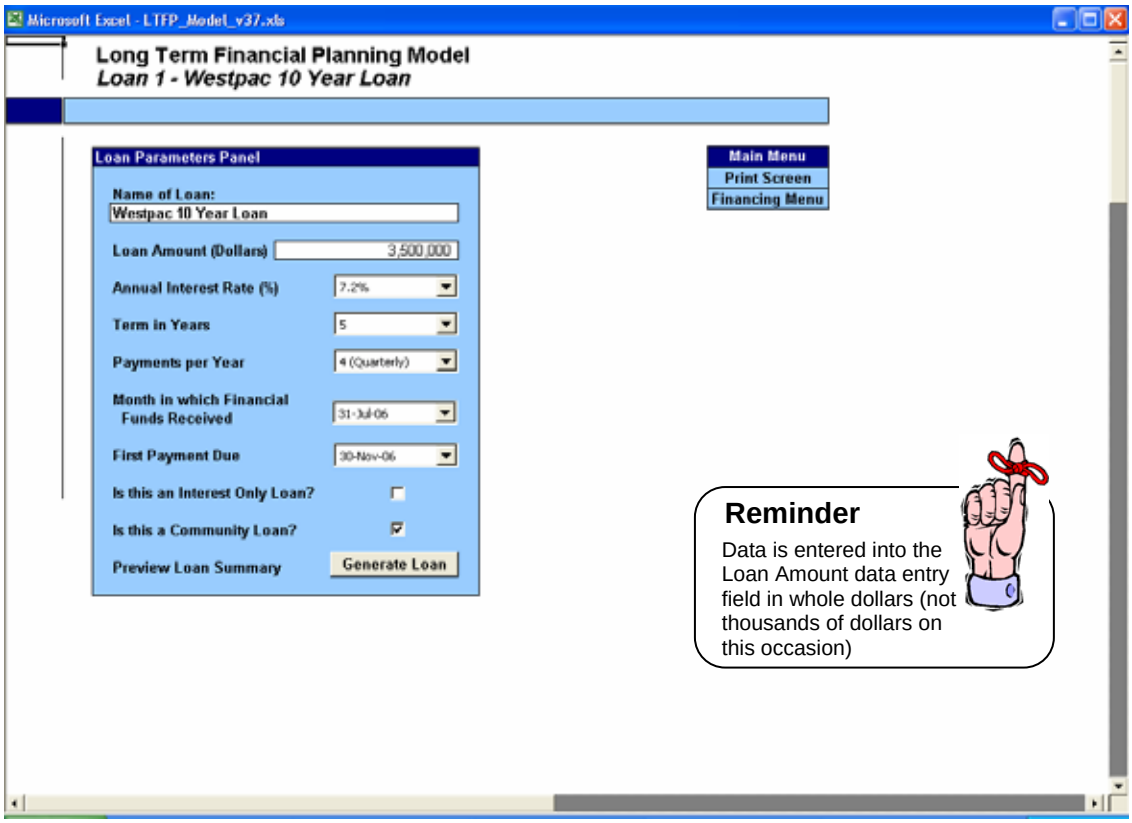
3. **REPAYMENT OF PRINCIPAL** – If the user chooses to manually enter all new loans activities into the Model, this line must include both existing and future loans principal repayment values.

4. **INTEREST PAYMENTS** – If the user chooses to manually enter all new loans activities into the Model, this line must include both existing and future loans interest repayment values.

Click on the **FINANCING MENU** button to return to the financing menu.

STEP 3

Click on the **LOAN 1** button to enter details of a future loan in the Loan Parameters Panel.



Use the data entry fields to type in the loan name.

Enter the **Loan Amount** in whole dollars.

Use the drop down menus to complete the remaining details of the loan.

This Model calculates both **interest generating** and **interest only** loans.

By ticking the Community Loans indicator means Council is entering into a loan on behalf of other entities, such as charities and local sporting organisations. These loans became assets as well as liabilities in the Statement of Financial Position.

ALWAYS click the **GENERATE LOAN** button to review the information and print a summary if required. Please note the **GENERATE LOAN** button must always be triggered to ensure a satisfactory calculation within the date ranges of the Model.

The loan information is automatically driven through to the Financing Activity Summary and the Model reporting.

Click on the **FINANCING MENU** button to return to the financing menu.

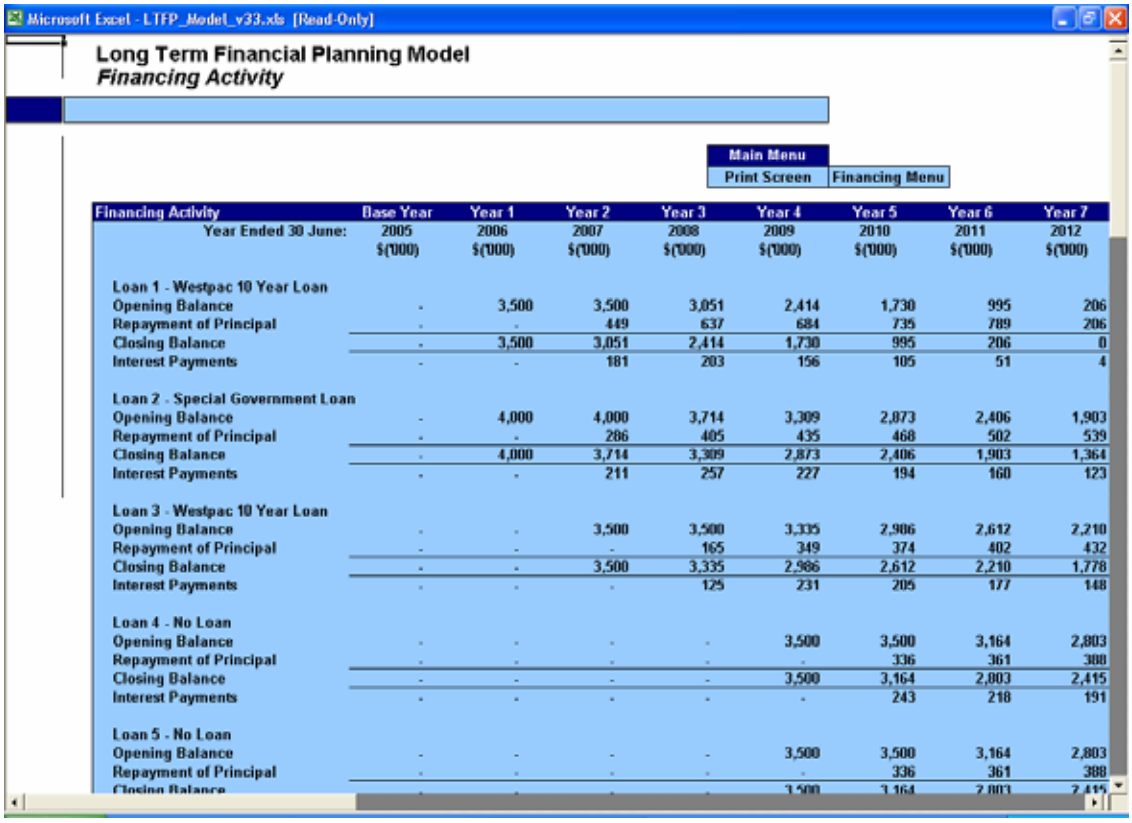
Continue entering financing data for future loan details. The model has 20 new loan options available.

STEP 4

Click on the **FINANCING ACTIVITY SUMMARY** button.

This option provides a summary of ALL loans information entered into the Model for review.

By scrolling down, the financing activity represented in the reporting function of the Model is available for users to review. Only active loans will appear in this screen



Financing Activity	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)	2011 $('000)	2012 $('000)
Loan 1 - Westpac 10 Year Loan								
Opening Balance	-	3,500	3,500	3,051	2,414	1,730	995	206
Repayment of Principal	-	-	449	637	684	735	789	206
Closing Balance	-	3,500	3,051	2,414	1,730	995	206	0
Interest Payments	-	-	181	203	156	105	51	4
Loan 2 - Special Government Loan								
Opening Balance	-	4,000	4,000	3,714	3,309	2,873	2,406	1,903
Repayment of Principal	-	-	286	405	435	468	502	539
Closing Balance	-	4,000	3,714	3,309	2,873	2,406	1,903	1,364
Interest Payments	-	-	211	257	227	194	160	123
Loan 3 - Westpac 10 Year Loan								
Opening Balance	-	-	3,500	3,500	3,335	2,986	2,612	2,210
Repayment of Principal	-	-	-	165	349	374	402	432
Closing Balance	-	-	3,500	3,335	2,986	2,612	2,210	1,778
Interest Payments	-	-	-	125	231	205	177	148
Loan 4 - No Loan								
Opening Balance	-	-	-	-	3,500	3,500	3,164	2,803
Repayment of Principal	-	-	-	-	-	336	361	388
Closing Balance	-	-	-	-	3,500	3,164	2,803	2,415
Interest Payments	-	-	-	-	-	243	218	191
Loan 5 - No Loan								
Opening Balance	-	-	-	-	3,500	3,500	3,164	2,803
Repayment of Principal	-	-	-	-	-	336	361	388
Closing Balance	-	-	-	-	3,500	3,164	2,803	2,415

Click on the **MAIN MENU** button to return to the main menu.

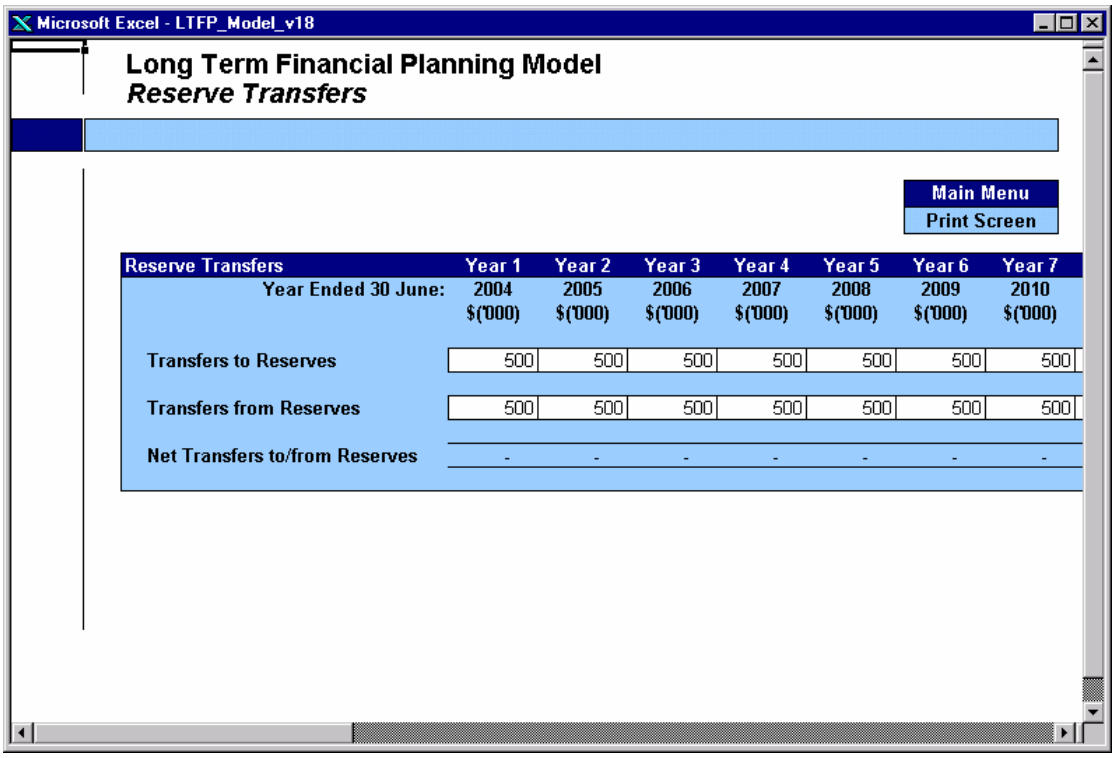
15. RESERVE TRANSFERS BUILD

STEP 1

Enter the values for the **TRANSFERS TO RESERVES** and **TRANSFERS FROM RESERVES** to be used in the Model calculations.

Use the data entry fields to type in the values. This Model provides a facility to manually type in transfers. Both debit and credit transfers should be keyed in as positive figures.

The reserves transfer information is automatically driven through to the Model reporting and is not a mandatory menu option.



Reserve Transfers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)
Transfers to Reserves	500	500	500	500	500	500	500
Transfers from Reserves	500	500	500	500	500	500	500
Net Transfers to/from Reserves	-	-	-	-	-	-	-

All transfers feed directly through to the AAS27 Statement of Changes in Equity report.

Click on the **MAIN MENU** button to return to the main menu.

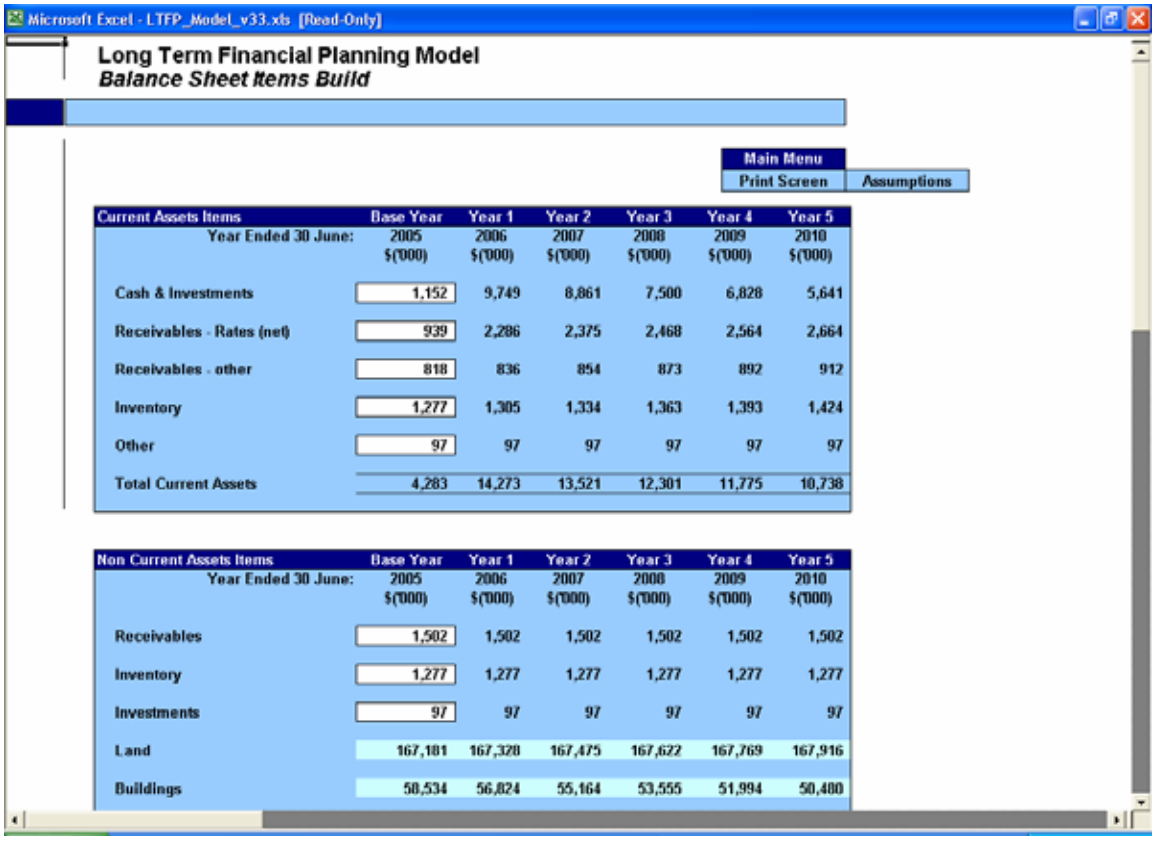
16. BALANCE SHEET ITEMS ASSUMPTIONS & BUILD

STEP 1

The purpose of the **Balance Sheet Items Build** screen is to:

1. Enter the *actuals* base year Balance sheet items values in $('000) for each Balance sheet line to be used in the Modelling calculations.

2. Present all future years Balance Sheet Item information, year on year, showing the effects of CPI, specific line item assumptions and manual adjustments made.



Current Assets Items	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)
Cash & Investments	1,152	9,749	8,861	7,500	6,828	5,641
Receivables - Rates (net)	939	2,286	2,375	2,468	2,564	2,664
Receivables - other	818	836	854	873	892	912
Inventory	1,277	1,305	1,334	1,363	1,393	1,424
Other	97	97	97	97	97	97
Total Current Assets	4,283	14,273	13,521	12,301	11,775	10,738

Non Current Assets Items	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)
Receivables	1,502	1,502	1,502	1,502	1,502	1,502
Inventory	1,277	1,277	1,277	1,277	1,277	1,277
Investments	97	97	97	97	97	97
Land	167,181	167,328	167,475	167,622	167,769	167,916
Buildings	58,534	56,824	55,164	53,555	51,994	50,480

Enter the $ value in '000s for each Balance sheet line item to be used in the Model calculations.

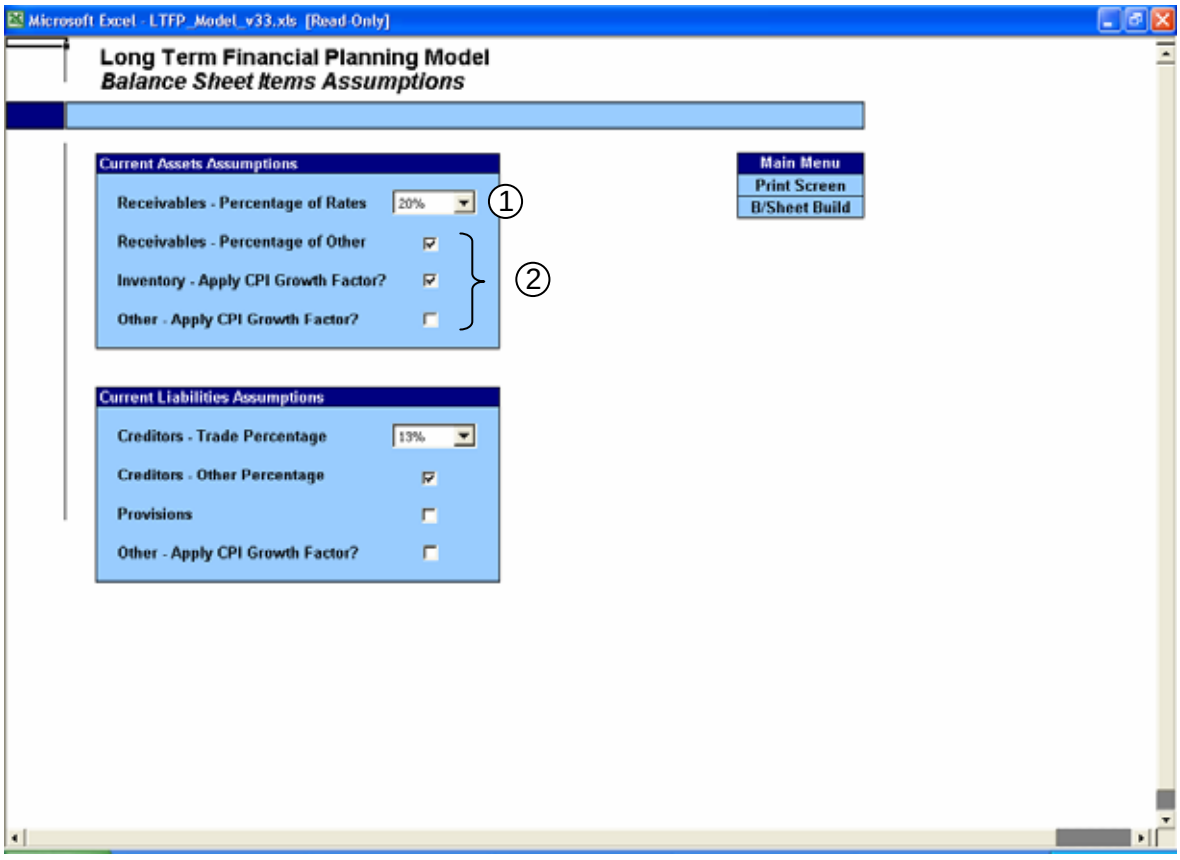
Click the **ASSUMPTIONS** button to enter the **Balance sheet Assumptions** screen.

STEP 2

The Assumptions Drivers only affect the **CURRENT** assets and liabilities items. There are 2 types of assumption driver affecting current assets and current liabilities assumptions available to users in the **Balance Sheet Items Assumptions** screen, which are detailed below:

1. **DROP DOWN % DRIVER** – The drop down % drivers are used to determine the percentage target to be applied across all years for a specific line item in the Balance sheet.

2. **CHECK BOX % DRIVER** – The check boxes determine whether or not a CPI factor is added to these line items.



16.1 Current Assets & Liabilities Assumptions

STEP 1

Enter the % increase or check/uncheck the box for each current asset or liability balance sheet item to be used in the Model calculations. The growth factor changes will be applied and calculated for each subsequent year in the Model. The percentage parameter will be applied to each individual year as detailed below:

Current Assets Assumptions

1. **RECEIVABLES – PERCENTAGE OF RATES** – This parameter drives a calculation to determine the $value for Receivables - Rates (net) outstanding at the end of a financial year. Click on the drop down box for the target percentage, between zero and +100% to be applied. The percentage driver will calculate the $value as a percentage of rates revenue. Each financial year is calculated independently of the next.

   If the percentage is set to 20% and the Total Rates Revenue is $400,000, Rates debtors, Receivables - Rates (net), will be calculated for that year as $80,000.

2. **RECEIVABLES – PERCENTAGE OF OTHER** – Click on the check box if Receivables - other is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model.

3. **INVENTORY** – Click on the check box if Inventory is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model.

4. **OTHER** – Click on the check box if Current Asset Items - Other is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model.

Current Liabilities Assumptions

1. **CREDITORS – TRADE PERCENTAGE** – This parameter drives a calculation to determine the $value for Creditors - Trade outstanding at the end of a financial year. Click on the drop down box for the target percentage, between zero and +100% to be applied. The percentage driver will calculate the $value as a percentage of contractors and materials costs. Each financial year is calculated independently of the next.

2. **CREDITORS – OTHER PERCENTAGE** – Click on the check box if Creditors - other is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model. Users can also add additional growth as a $value via the **Model Manual Adjustments screen**.

3. **PROVISIONS** – Click on the check box if Provisions is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model. Users can also add additional growth as a $value via the **Model Manual Adjustments screen**.

4. **OTHER** – Click on the check box if Current Liability Items - Other is to be affected by the CPI value entered into the **General Extrapolation Assumptions** screen. If checked, CPI is applied as a growth factor for each subsequent year in the Model. Users can also add additional growth as a $value via the **Model Manual Adjustments screen**.

Click on the **B/SHEET BUILD** button to return to the Balance sheet Build screen.

16.2 Balance Sheet Items Build – Source of $ Value Calculation

Current Asset Items	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Cash & Investments	Statement of Cash Flows closing balance				
Receivables – Rates (net)	Balance Sheet Items Assumptions % of Total Rates Revenue				
Receivables – other	Prior Year + CPI% Increment if Ticked				
Inventory	Prior Year + CPI% Increment if Ticked				
Loans to Community Groups	Financing Activity				
Other	Prior Year + CPI% Increment if Ticked				

Non Current Asset Items	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Receivables	Prior Year + Manual Adjustments				
Inventory	Prior Year + Manual Adjustments				
Investments	Prior Year + Manual Adjustments				
Land	Capital Expenditure Build Screen				
Buildings	Capital Expenditure Build Screen				
Infrastructure	Capital Expenditure Build Screen				
Plant & Equipments	Capital Expenditure Build Screen				
Furniture, Fixture & Fittings	Capital Expenditure Build Screen				
Loans to Community Groups	Financing Activity				
Other	Prior Year + Manual Adjustments				

Current Liabilities Items	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Bank Overdraft	Statement of Cash Flows closing balance				
Creditors – Trade	Balance Sheet Items Assumptions % of Contractors & Materials costs				
Creditors – other	Prior Year + CPI% Increment if Ticked + Manual Adjustments				
Provisions	Prior Year + CPI% Increment if Ticked + Manual Adjustments				
Loans – Financing	Financing Activity				
Leases	Leasing Activity				
Other	Prior Year + CPI% Increment if Ticked + Manual Adjustments				

Non Current Liabilities Items	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Creditors	Prior Year + Manual Adjustments				
Provisions	Prior Year + Manual Adjustments				
Loans – Financing	Financing Activity				
Leases	Leasing Activity				
Other	Prior Year + Manual Adjustments				

Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Year Ended 30 June:	2004 $('000)	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)
Accumulated Surplus	Statement of Changes in Equity				
Asset Revaluation Reserve	Statement of Changes in Equity				
Other Reserves	Statement of Changes in Equity				

17. NEW INITIATIVES BUILD

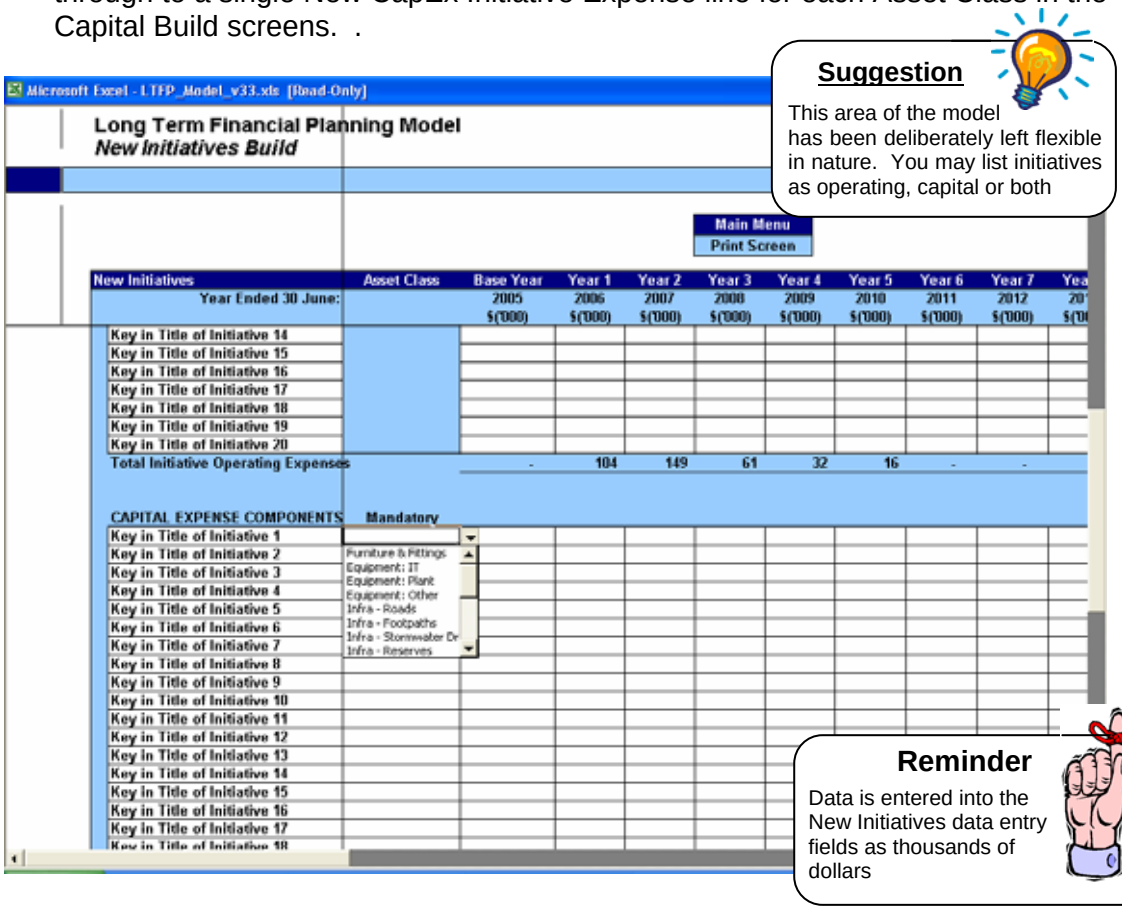
STEP 1

The New Initiatives screen is based entirely upon manual input of data by using the data entry fields.

Enter the $ value in '000s for both the Operating and Capital Expenses components to be used in the Model calculations.

1. **OPERATING COMPONENTS** – All values for New Initiatives entered into the Operating Income or Expense areas of this screen will be fed through to a single New Initiative Revenue or Expense line in the Operating Build screens.

2. **CAPITAL EXPENSE COMPONENTS** – All values for New Capital Expense Initiatives entered into the Capital Expense area of this screen required allocating to an Asset Class. This is MANDATORY. When allocated, these values will be fed through to a single New CapEx Initiative Expense line for each Asset Class in the Capital Build screens. .


Microsoft Excel - LTFP_Model_v33.xls [Read-Only]
Long Term Financial Planning Model
New Initiatives Build
Main Menu
Print Screen
New Initiatives
Asset Class
Base Year
Year 1
Year 2
Year 3
Year 4
Year 5
Year 6
Year 7
Year Ended 30 June:
2005
2006
2007
2008
2009
2010
2011
2012
$('000)
Key in Title of Initiative 14
Key in Title of Initiative 15
Key in Title of Initiative 16
Key in Title of Initiative 17
Key in Title of Initiative 18
Key in Title of Initiative 19
Key in Title of Initiative 20
Total Initiative Operating Expenses
- 104 149 61 32 16 - -
CAPITAL EXPENSE COMPONENTS
Mandatory
Key in Title of Initiative 1
Key in Title of Initiative 2
Key in Title of Initiative 3
Key in Title of Initiative 4
Key in Title of Initiative 5
Key in Title of Initiative 6
Key in Title of Initiative 7
Key in Title of Initiative 8
Key in Title of Initiative 9
Key in Title of Initiative 10
Key in Title of Initiative 11
Key in Title of Initiative 12
Key in Title of Initiative 13
Key in Title of Initiative 14
Key in Title of Initiative 15
Key in Title of Initiative 16
Key in Title of Initiative 17
Furniture & Fittings
Equipment: IT
Equipment: Plant
Equipment: Other
Infra - Roads
Infra - Footpaths
Infra - Reserves
Suggestion
This area of the model has been deliberately left flexible in nature. You may list initiatives as operating, capital or both
Reminder
Data is entered into the New Initiatives data entry fields as thousands of dollars

Click on the **MAIN MENU** button to return to the main menu.

18. MODEL MANUAL ADJUSTMENTS

STEP 1

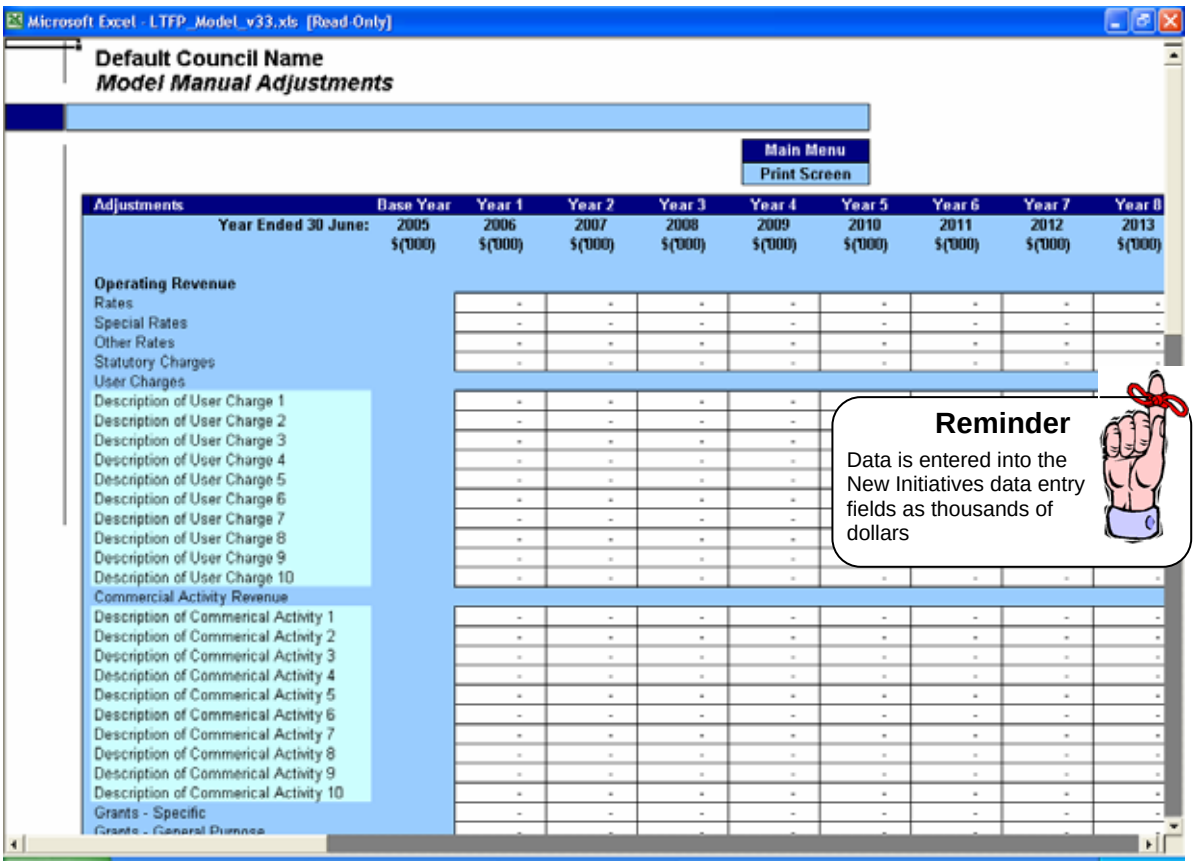
The Manual Adjustments screen is based entirely upon manual input of data by using the data entry fields.

Enter the $ value in '000s for both the Operating and Balance sheet components to be used in the Model calculations.

1. **RECURRENT VALUES** – All values entered into the Manual Adjustments screen are assumed to have an ongoing effect upon the financial activities of Council and therefore are included in the brought forward value of all calculations within the Model for each individual line.

   An entry of $10,000 into the Grants – Specific line will assume these additional grants funds will be available for all subsequent years and subject to the assumptions applied to each individual year.

   If a reduction is required then a negative value can be entered and this will be reflected in subsequent years.


Microsoft Excel - LTFP_Model_v33.xls [Read-Only]
Default Council Name
Model Manual Adjustments
Main Menu
Print Screen
Adjustments
Year Ended 30 June:
Base Year 2005 $('000)
Year 1 2006 $('000)
Year 2 2007 $('000)
Year 3 2008 $('000)
Year 4 2009 $('000)
Year 5 2010 $('000)
Year 6 2011 $('000)
Year 7 2012 $('000)
Year 8 2013 $('000)
Operating Revenue
Rates
Special Rates
Other Rates
Statutory Charges
User Charges
Description of User Charge 1
Description of User Charge 2
Description of User Charge 3
Description of User Charge 4
Description of User Charge 5
Description of User Charge 6
Description of User Charge 7
Description of User Charge 8
Description of User Charge 9
Description of User Charge 10
Commercial Activity Revenue
Description of Commerical Activity 1
Description of Commerical Activity 2
Description of Commerical Activity 3
Description of Commerical Activity 4
Description of Commerical Activity 5
Description of Commerical Activity 6
Description of Commerical Activity 7
Description of Commerical Activity 8
Description of Commerical Activity 9
Description of Commerical Activity 10
Grants - Specific
Reminder
Data is entered into the New Initiatives data entry fields as thousands of dollars

Click on the **MAIN MENU** button to return to the main menu.

19. LONG TERM FINANCIAL PLANNING OUTPUTS

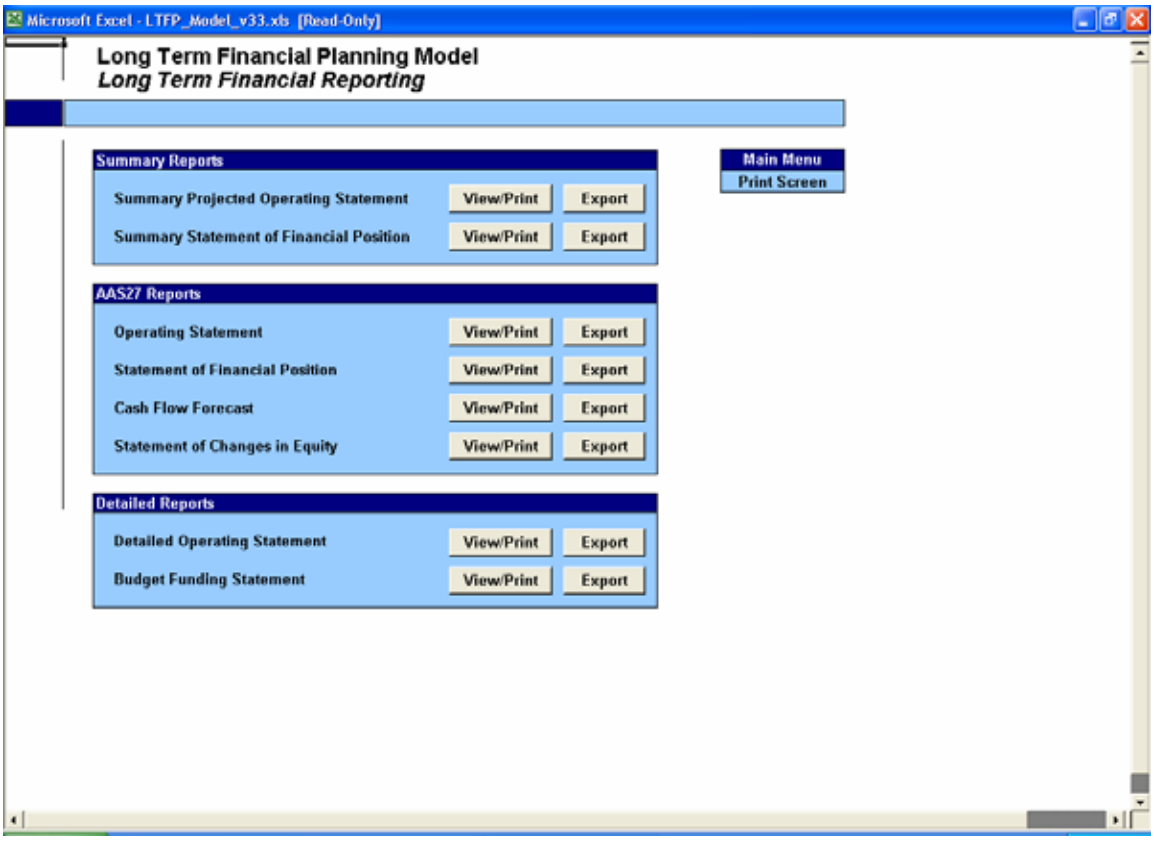
The **Long Term Financial Reporting** menu offers three types of reports, each with the option of viewing on screen, printing to a default printer or exporting to Excel. These are:

1. Summary Reports
2. AAS 27 Reports
3. Detailed Reports

The reporting period for each report will be driven by the **Model Customisation Settings** selection of either 3, 5, 10,20 or 30 years.

Please note: New Initiative Revenue/Expenditure and Productivity Savings may appear under “other” in certain reports.

Simply select the **VIEW/PRINT** button, then the **PRINT** button for the report to print at the default printer.



Exporting to Excel

Click the **EXPORT** button of the report you wish to create in Excel. Save the file to the required location and file name. The user will not be able to manipulate this file until exiting from the Model.

Click on the **MAIN MENU** button to return to the main menu.

20. KEY PERFORMANCE INDICATORS

STEP 1

The **Key Performance Indictors** menu offers two views to the following performance indicators:

1. Operating Revenue Increase
2. Operating Expenses Increase
3. Rates to Operating Revenue
4. Employee Costs to Operating Expenses
5. Operating Surplus/(Deficit) to Operating Revenue
6. Capital Outlay to Total Expenditure (Net)
7. Renewal & Replacement of Assets to Depreciation Costs
8. Net Debt to Equity
9. Net Debt to Operating Revenue
10. Net Finance Costs to Rates Revenue
11. Net Finance Costs to Total Operating Revenue

1. Dash Board

The purpose of the Dashboard is to give a quick view, using "traffic-lights style" presentation, of Council's performance within given tolerance rules.

Choosing the Dashboard Setup Screen provides the options to determine upper and lower parameters for the dashboard (see Dashboard Parameter Settings below).

Based upon the parameters entered, indicators on the dash board automatically turn green, red or remain white if within the tolerance. Care must be taken when interpreting the colours as the settings are specific to each performance indicator.

2. Graphs

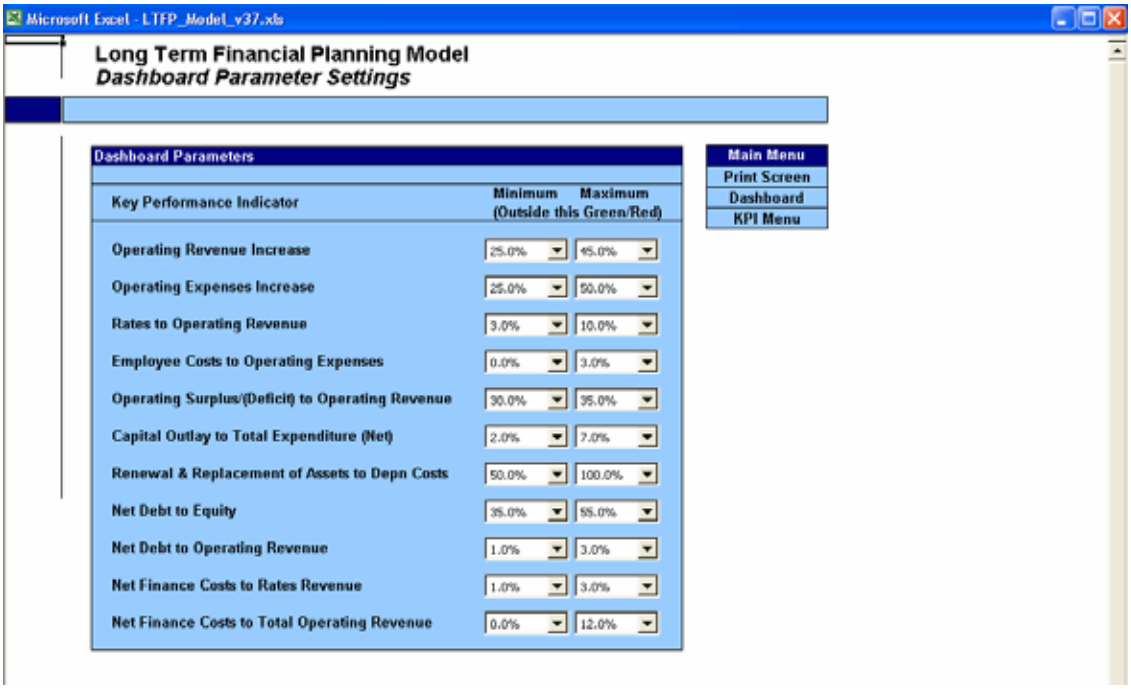
The purpose of the graphs is to give a quick view, using an area graph presentation, of Council's performance against a given target.

Choosing the Performance Indicator to be viewed, the user must provide a target performance level against which the Model activity for that KPI will be reported.

Click on the **DASHBOARD SETUP SCREEN** button to access the dashboard setup.

Dash Board Parameter Settings

The Dashboard Setup Screen is used to determine upper and lower parameters for the dashboard, indicating whether performance is within, above or below expectations.

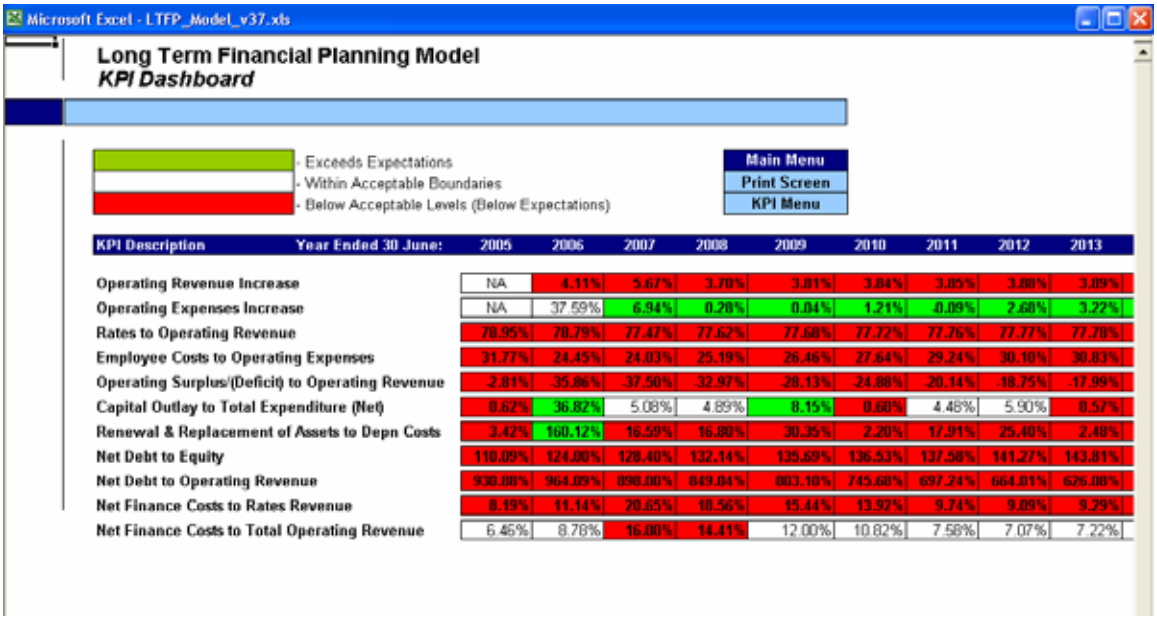

Microsoft Excel - LTFP_Model_v37.xls
Long Term Financial Planning Model
Dashboard Parameter Settings
Dashboard Parameters
Key Performance Indicator
Minimum (Outside this)
Maximum Green/Red)
Operating Revenue Increase 25.0% 45.0%
Operating Expenses Increase 25.0% 50.0%
Rates to Operating Revenue 3.0% 10.0%
Employee Costs to Operating Expenses 0.0% 3.0%
Operating Surplus/(Deficit) to Operating Revenue 30.0% 35.0%
Capital Outlay to Total Expenditure (Net) 2.0% 7.0%
Renewal & Replacement of Assets to Depn Costs 50.0% 100.0%
Net Debt to Equity 35.0% 55.0%
Net Debt to Operating Revenue 1.0% 3.0%
Net Finance Costs to Rates Revenue 1.0% 3.0%
Net Finance Costs to Total Operating Revenue 0.0% 12.0%
Main Menu
Print Screen
Dashboard
KPI Menu

Use the drop down menus to set the parameters. Dashboard Parameter Setting interpretation is follows:

Key Performance Indicator	Below Minimum	Above Maximum
Operating Revenue Increase	Red	Green
Operating Expenditure Increase	Green	Red
Rates To Operating Revenue	Green	Red
Employee Costs To Operating Expenses	Green	Red
Operating Surplus/(Deficit) To Operating Revenue	Red	Green
Capital Outlay To Total Expenditure	Red	Green
Renewal & Replacement Of Assets To Depreciation Costs	Red	Green
Net Debt To Equity	Green	Red
Net Debt To Operating Revenue	Green	Red
Net Finance Costs To Rates Revenue	Green	Red
Net Finance Costs To Total Operating Revenue	Green	Red

Click on the **DASHBOARD** button to access the **KPI DASHBOARD** screen.

Key Performance Indicators – Interpretation



KPI Description	Year Ended 30 June:	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenue Increase		NA	4.11%	5.67%	3.70%	3.81%	3.84%	3.85%	3.88%	3.89%
Operating Expenses Increase		NA	37.59%	6.94%	0.28%	0.04%	1.21%	-0.09%	2.68%	3.22%
Rates to Operating Revenue		78.95%	78.79%	77.47%	77.62%	77.68%	77.72%	77.76%	77.77%	77.78%
Employee Costs to Operating Expenses		31.77%	24.45%	24.03%	25.19%	26.46%	27.64%	29.24%	30.10%	30.83%
Operating Surplus/(Deficit) to Operating Revenue		-2.81%	-35.86%	-37.50%	-32.97%	-28.13%	-24.88%	-20.14%	-18.75%	-17.99%
Capital Outlay to Total Expenditure (Net)		0.62%	36.82%	5.08%	4.89%	8.15%	0.60%	4.48%	5.90%	0.57%
Renewal & Replacement of Assets to Depn Costs		3.42%	160.12%	16.59%	16.80%	30.35%	2.20%	17.91%	25.40%	2.48%
Net Debt to Equity		110.09%	124.09%	128.40%	132.14%	135.69%	136.53%	137.58%	141.27%	143.81%
Net Debt to Operating Revenue		930.00%	964.09%	898.00%	849.04%	803.10%	745.60%	697.24%	664.01%	626.00%
Net Finance Costs to Rates Revenue		8.19%	11.14%	20.65%	18.56%	15.44%	13.92%	9.74%	9.09%	9.29%
Net Finance Costs to Total Operating Revenue		6.46%	8.78%	16.00%	14.41%	12.00%	10.82%	7.58%	7.07%	7.22%

IMPORTANT NOTE

Interpretation of the meaning of a red indicator or a green indicator will be dependent upon the financial strategy of the individual Council.

Click on the **KPI MENU** button to return to the **KEY PERFORMANCE INDICATOR** graphs screen access.

Enter the performance target percentage for each of the KPI's to be used to monitor Council's performance. Not ALL KPI's are relevant to ALL Councils. The following has been provided to guide Council in choosing and interpreting KPI performance results.

1. **OPERATING REVENUE INCREASE** (from previous year)
   Calculated on the percentage increase of Total Operating Revenue year upon year, expressed as a percentage

2. **OPERATING EXPENSES INCREASE** (from previous year)
   Calculated on the percentage increase of Total Operating Expenditure (net of Productivity Savings) year upon year, expressed as a percentage

3. **RATES TO OPERATING REVENUE**
   Calculated by the Total of General Rates and Other Rates divided by Total Operating Revenue, expressed as a percentage

   This indicates the level of reliance on rates revenue as a proportion to other forms of revenue. It is important to consider the risk associated with a high dependence on rate revenue.

4. EMPLOYEE COSTS TO TOTAL OPERATING EXPENSES NET OF PRODUCTIVITY SAVINGS

Calculated by the Salaries, Wages & TVSP's costs divided by Total Operating Expenses Net of Productivity Savings, expressed as a percentage

This ratio compares the $ value of operations against the total $ value of people working in the organisation.

The ratio can provide a useful service delivery measure, especially when shown against FTE numbers.

It is worth considering the effects of resourcing capital projects and contracting arrangements when comparing this ratio year upon year.

5. OPERATING SURPLUS/(DEFICIT) TO OPERATING REVENUE

Calculated by Operating Surplus/(Deficit) divided by Total Operating Revenue, expressed as a percentage

If a Council achieves a zero operating result (ie operating revenues equal operating expenses), it would be in a position whereby its operating revenues would be, over time, sufficient to finance the renewal and replacement of assets at the same rate as assets are depreciating.

Where an operating surplus is achieved, the amount of the surplus is available for capital expenditure on additional renewal/replacement of assets or new assets without the need to increase the level of a Council's net debt. When such additional capital expenditure is not required the amount of the operating surplus can be applied to reduce debt levels.

Where this percentage measure is negative, and a Council's recorded rates of depreciation (asset consumption) are broadly accurate, then more Council services are being enjoyed than are being paid for. The value of a negative percentage measure represents the extent to which additional revenue needs to be raised or operating expenditure needs to be reduced to achieve a zero operating result.

6. CAPITAL OUTLAY TO TOTAL EXPENDITURE (NET) OF PRODUCTIVITY SAVINGS

Calculated by Total Renewal/Construction Expenditure plus New Capital Initiatives Expenditure (including Leased Assets), divided by Total Expenditure Net of Productivity Savings, expressed as a percentage

Indicates the level of investment into new and existing assets as a proportion of total expenditure for the period.

This helps identify the level of expenditure on service delivery as against capital investment expenditure.

7. RENEWAL & REPLACEMENT OF ASSETS TO DEPRECIATION COSTS

Calculated by Renewal & Replacement of Assets divided by Depreciation, expressed as a percentage

This measure can assist in identifying the potential decline or improvement in asset condition and standards.

A percentage less than 100 on an ongoing basis indicates that non-current assets may be depreciating at a greater rate than their renewal or replacement.

A preferred alternative measure would be to compare capital investment expenditure on renewal and replacement of non-current assets with the optimal expenditure levels for such expenditure shown in the Council's Infrastructure and Asset Management plan.

8. NET DEBT TO EQUITY

Calculated by Bank Overdraft, Loans and Leases less Cash & Investments less Loans to Community Groups divided by Total Equity, expressed as a percentage

The relationship between equity and debt is used to evaluate risk.

This ratio provides a window into how strong a Councils finances are.

A high debt to equity ratio could indicate that Council may be over-leveraged, and should look for ways to reduce its debt.

This ratio should be read in conjunction with Net Debt to Operating Revenue Ratio.

9. NET DEBT TO OPERATING REVENUE

Calculated by Bank Overdraft, Loans and Leases less Cash & Investments less Loans to Community Groups divided by Operating Revenue, expressed as a percentage.

This measure is considered the most relevant in assessing the burden of a Council's debt. The measure indicates the percentage of one year's operating revenue, which is required to service Council's net debt. In assessing a Council's financial condition, it is important to distinguish between gross debt (i.e. the value of short-term and long-term borrowings and other forms of debt outstanding) and net debt (i.e. gross debt less financial assets such as cash and investments).

A Council's cash and investments represent direct offsets to its financial obligations from borrowings. They also earn interest which is equally an offset to interest costs on borrowings. As the amount of cash and investments held by Council may be very large, it is important that account be taken of looking at long-term trends and short-term movements in a Council's debt position.

There is no right or wrong answer on what is an appropriate level of net debt. However, it is important that a Council can rationalise its policy on debt levels relative to its circumstances and satisfy itself that its policy will support its ongoing financial sustainability and desired revenue and service level targets over the planning cycle.

10. NET FINANCE COSTS TO RATES REVENUE

Calculated by Finance/Interest Expense less Investment Income divided by General Rates and Other Rates, expressed as a percentage.

This measure assesses the degree to which rates revenue is committed to meet net interest costs.

A smaller percentage indicates that net interest costs are less of a burden on rates revenue.

A negative percentage indicates that a Council's level of net debt is negative (i.e. its level of cash and investments exceeds outstanding borrowings).

The measure also helps assess the success or otherwise in managing interest rate risks inherent in carrying debt.

11. NET FINANCE COSTS TO TOTAL OPERATING REVENUE

Calculated by Finance/Interest Expense less Investment Income divided by Total Operating Revenue, expressed as a percentage.

This measure assesses the degree to which Operating revenue is committed to meet net interest costs.

A smaller percentage indicates that net interest costs are less of a burden on Operating revenue.

A negative percentage indicates that a Council's level of net debt is negative (i.e. its level of cash and investments exceeds outstanding borrowings).

The measure also helps assess the success or otherwise in managing interest rate risks inherent in carrying debt.

IMPORTANT NOTE

Key Performance Indicator percentages are expressed to two decimal places. All financial reports and build screens display numbers rounded to a whole number. Users may experience rounding issues when verifying key performance indicator percentages to the $ values reported and shown in the build screens.

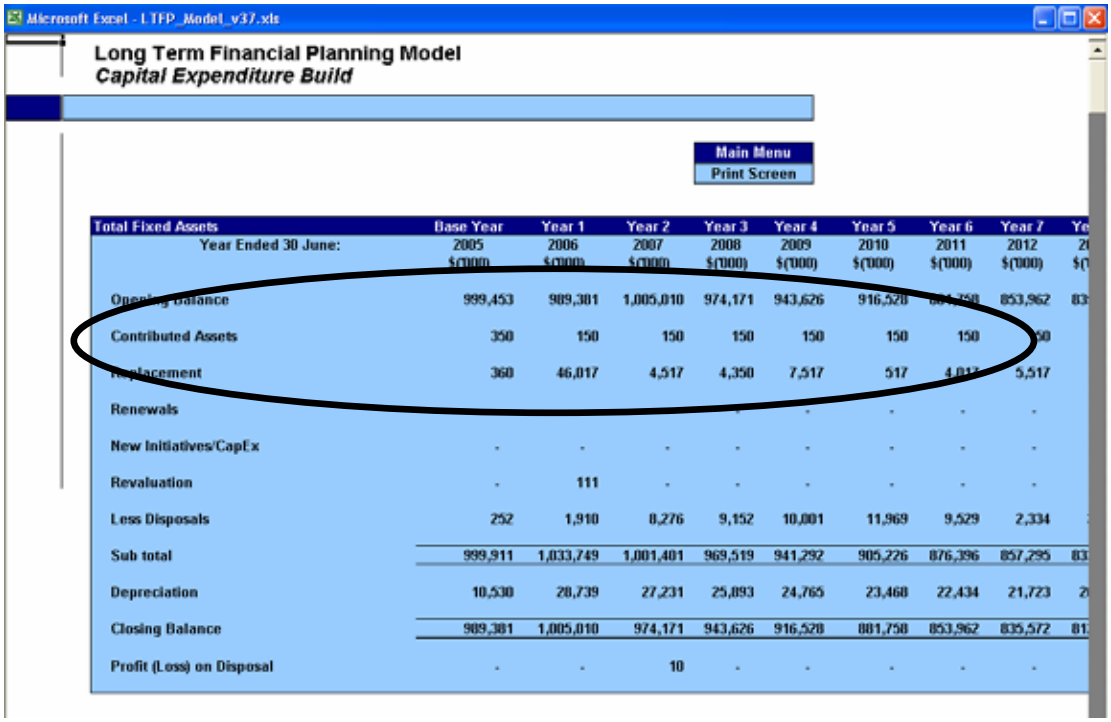
21. FREQUENTLY ASKED ACCOUNTING QUESTIONS (FAAQS)

21.1 Accounting for Assets Given Free of Charge

The value of both Land and Infrastructure Assets received free of charge are to be entered into the **Capital Revenue Build** using the following line entries:

- Dev Contrib-Non-cash Open Space
- Dev Contrib-Non-cash Infrast

These feed through to the Contributed Assets lines within the **Capital Expenditure Build**.


Microsoft Excel - LTFP_Model_v37.xls

Long Term Financial Planning Model
Capital Expenditure Build

Main Menu
Print Screen

Total Fixed Assets	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Ye
Year Ended 30 June:	2005 $('000)	2006 $('000)	2007 $('000)	2008 $('000)	2009 $('000)	2010 $('000)	2011 $('000)	2012 $('000)	$(
Opening Balance	999,453	989,381	1,005,010	974,171	943,626	916,528	[illegible]	853,962	83
Contributed Assets	350	150	150	150	150	150	150	[illegible]	
Replacement	360	46,017	4,517	4,350	7,517	517	4,017	5,517	
Renewals	-	-	-	-	-	-	-	-	
New Initiatives/CapEx	-	-	-	-	-	-	-	-	
Revaluation	-	111	-	-	-	-	-	-	
Less Disposals	252	1,910	8,276	9,152	10,001	11,969	9,529	2,334	
Sub total	999,911	1,033,749	1,001,401	969,519	941,292	905,226	876,396	857,295	83
Depreciation	10,530	28,739	27,231	25,893	24,765	23,468	22,434	21,723	2
Closing Balance	989,381	1,005,010	974,171	943,626	916,528	881,758	853,962	835,572	81
Profit (Loss) on Disposal	-	-	10	-	-	-	-	-	

These entries create assets in the Statement of Financial Position but do not effect the cash position.

HOT TIP

Entering assets received free of charge will impact the depreciation for future periods.

The user MUST ensure depreciation is adjusted in future months for the depreciation $value of contributed assets.

21.2 Accounting for Community Loans

Community loans are identified within the Model via a tick box on the loan calculating facility and are identified separately on the summary screens.

When a Community Loan is created, it is recognised as an asset and a liability within the Statement of Financial Position. The Model will assume the principal repayment will be recovered at the time it becomes payable.

HOT TIP

The financial impact to the Statement of Financial Position by Community Loans will be automatic within the Model.

The user MUST ensure the interest payable incurred through the Operating Expense is offset by a $value entered by the user in the Operating Revenue.

21.3 Accounting for Depreciation

The actual depreciation for each class of asset MUST be entered into the **Capital Expenditure Build** screen manually for each year of the Model.

The user MUST ensure that depreciation is adjusted for every new asset, asset sale or asset received free of charge that is entered into the Model.

21.4 Accounting for Work-In-Progress

Capital Work-In-Progress expenditure is reflected in the renewal and replacement lines of the **Capital Expenditure Build** screen for each class of asset.

21.5 Full Absorption Costing Implications

The base year actuals entered into the Model will reflect full absorption costing principles in the assets WIP figure. The user must consider the material impact of changing costs in the Operating Expenditure Build (particularly salaries and wages) if the level of asset replacement and renewals varies over time. The Model will assume consistency of cost type, line by line and cannot accommodate such changes without manual intervention.

21.6 Current and Non Current Loan and Lease Liabilities

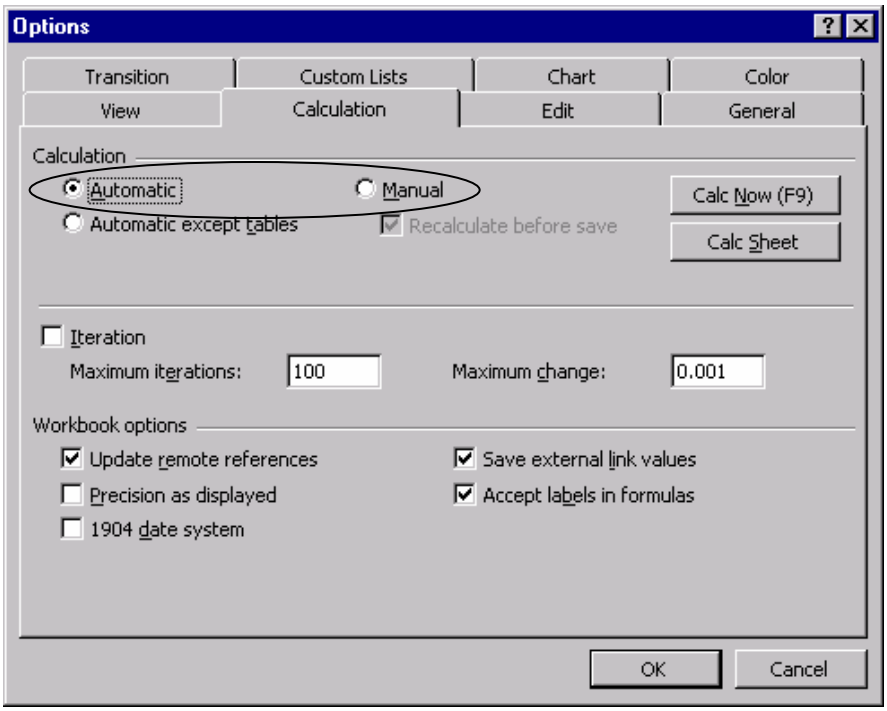
The split between current and non-current loan and lease liabilities is calculated WITHIN the Model. The current liability is assumed to be equal to the payment to be made in the following year. The user must enter loans or lease data for more than one year to enable the Model to calculate the current and non-current split.

22. TROUBLESHOOTING

22.1 Exiting the Model Using 'X' in the Top Right Corner

If you exit the Model by using the 'X' in the top right corner of the window in Excel rather than through the "Save & Close" or "Close Only" buttons in the Main Menu of the Model, minor Excel settings on your computer may be changed.

The Calculation may be changed from 'Automatic' to 'Manual'. To correct this open Excel, click Tools → Options, then select the Calculation tab and ensure the check button labelled 'Automatic' is selected (see below).



22.2 Entering New Loans and Leases Without Selecting the 'Generate' Button

If you enter new loans or leases data into the Model you may be changing the date and/or cost patterns in the Model.

The Model does not automatically recognise these changes throughout the Model unless the 'Generate' button on each new loans or lease tab is selected. To ensure these are reflected correctly in the Model, ALWAYS select the 'Generate' button when the new data has been entered or changed.